

NEWS: EUROPE

Bonn to seek new EU deal for eastern Europe

By Quentin Peel

Germany will push for a new deal for the emerging democracies of central and eastern Europe during its six-month presidency of the European Union, including more measures to open the EU market and to promote closer political co-operation.

The aim is to help all the emerging democracies with practical mea-

asures for the whole transitional period leading up to eventual EU membership.

At the same time, the main German themes of the coming six months will be making Europe relevant to its citizens, and deregulation of the labour market to create more jobs, combined with strict financial discipline to keep spending under control.

Mr Klaus Kinkel, the German for-

eign minister, yesterday spelt out a cautious programme for the presidency, which begins tomorrow, insisting that it went no further than what was agreed by all the other member states.

"We will do everything in our power to promote the cause of Europe in this limited period," he told the German Bundestag in Bonn. But he added: "The German image of Europe is identical with

that of our partners." He laid the greatest stress in his presentation on the German desire to bring central and eastern European states ever closer to the EU.

"If there is one special foreign policy responsibility of Germany in the light of its history, it is that the Europe which we are striving towards should be built together with the new democracies of east and central Europe," he said.

He said new proposals would be presented to the EU summit in Essen in December to give concrete form to "getting through the difficult transition phase in which the reforming states find themselves up to the point of accession. Further market opening and closer political co-operation (even before accession) are at the top of the list."

The German thinking is in line with European commission plans,

with Sir Leon Brittan, UK commissioner, planning to put forward a new report on faster trade liberalisation in the autumn. He will also propose a common competition policy over a three-year period.

Mr Kinkel said Germany would be pushing also for closer co-operation on crime prevention, and seeking to turn the Franco-German initiative to combat racism into an EU-wide strategy in time for Essen.

European military aviation setbacks

By Bruce Clark, Defence Correspondent

Cross-border co-operation in defence aviation suffered a twin setback yesterday, with Germany going slow on the Eurofighter aircraft and the UK reaffirming its unwillingness to fund a new European military transporter.

A meeting of the German parliament's budget committee, the last before the summer recess, failed to approve the extra funds that were viewed as necessary to complete development work on the Eurofighter on schedule.

The committee did make a small award of about DM200m (£80.6m) to ensure that work on the project will continue in the coming months, but it did not earmark the funds needed to keep the project on schedule until the end of the decade.

The main reason for the delay is a dispute between the German Defence Ministry and Deutsche Aerospace, the German industrial partner, on how the extra development costs should be split between government and industry.

With German elections due in October, Germany's partners in the Eurofighter consortium - Britain, Italy and Spain - were understood to be resigning themselves to some delay in the project.

The four governments had until recently hoped to sign a memorandum of understanding this summer on completing the £200m project.

In London, the Defence Ministry confirmed that it saw no reason to allocate public money to the development of the Future Large Aircraft, a project to meet Europe's strategic airlift needs which France and Germany are strongly backing. Britain is studying two options - the C130J made by Lockheed of the US and the proposed FLA - as it considers ways to replenish its ageing fleet of Hercules military transporters.

British Aerospace is urging the government to play a part in developing the FLA, arguing that it could bring £12bn worth of work to the UK and create 7,500 jobs.

Yesterday's statement upheld the view London has taken since 1989, which is that there are no grounds for putting UK government money towards the FLA.

It said the government would keep open the option of buying some FLA "off the shelf".

Defence industry experts believe it might be possible for the UK private sector to come up with development funds - and therefore stake a claim to a share of the aircraft's production - if the government commits itself to buying some of the new transporters.

Search for successor to Delors moves south

By Lionel Barber in Brussels

The hunt for a successor to Mr Jacques Delors as president of the European Commission is shifting to the south, with three names prominent on the diplomatic circuit: Prime Minister Felipe Gonzalez of Spain, Prime Minister Anibal Cavaco Silva of Portugal, and former Prime Minister Giuliano Amato of Italy.

The southern connection has surfaced in the wake of the bungled Franco-German campaign to push through Mr Jean-Luc Dehaene, Belgian prime minister, at last weekend's European summit in Corfu. Two other northern candidates - Mr Ruud Lubbers, outgoing prime minister of the Netherlands, and Sir Leon Brittan of the UK - withdrew their candidacies last Saturday.

The attraction of Mr Gonzalez and Mr Cavaco Silva is that they are experienced prime ministers. Mr Gonzalez, particularly, would seem assured of winning the required unanimous support. Mr Amato, a trained economist widely respected for his role in steering Italy through its political upheavals, is said to be on the market for a top international job.

All three leaders would also lend Mediterranean balance to the Union as it tilts north and eastwards. Next year Austria, Finland, Sweden and Norway plan to join the Union, and German-led pressure to include the newly emerging democracies in east and central Europe is certain to grow in the next five years.

Mr Gonzalez, a long-time

favourite of Chancellor Helmut Kohl, has been under pressure for the past three years to throw his hat in the ring. But he has steadfastly refused on the grounds that it would undermine the Socialist government he has led since 1982.

Though he is a Socialist, he could be easily repackaged as a centrist on account of his government's programme of labour market reform and efforts at fiscal austerity. A French-speaker, he would also be acceptable to France.

In the early hours of Saturday morning, after Mr Dehaene won the first ballot, Mr Gonzalez expressed regret at the failure to reach a consensus, believing that he would be called upon to run once again. But he told his summit colleagues that he did not want to

leave Madrid for Brussels - a position he repeated to the Spanish parliament yesterday.

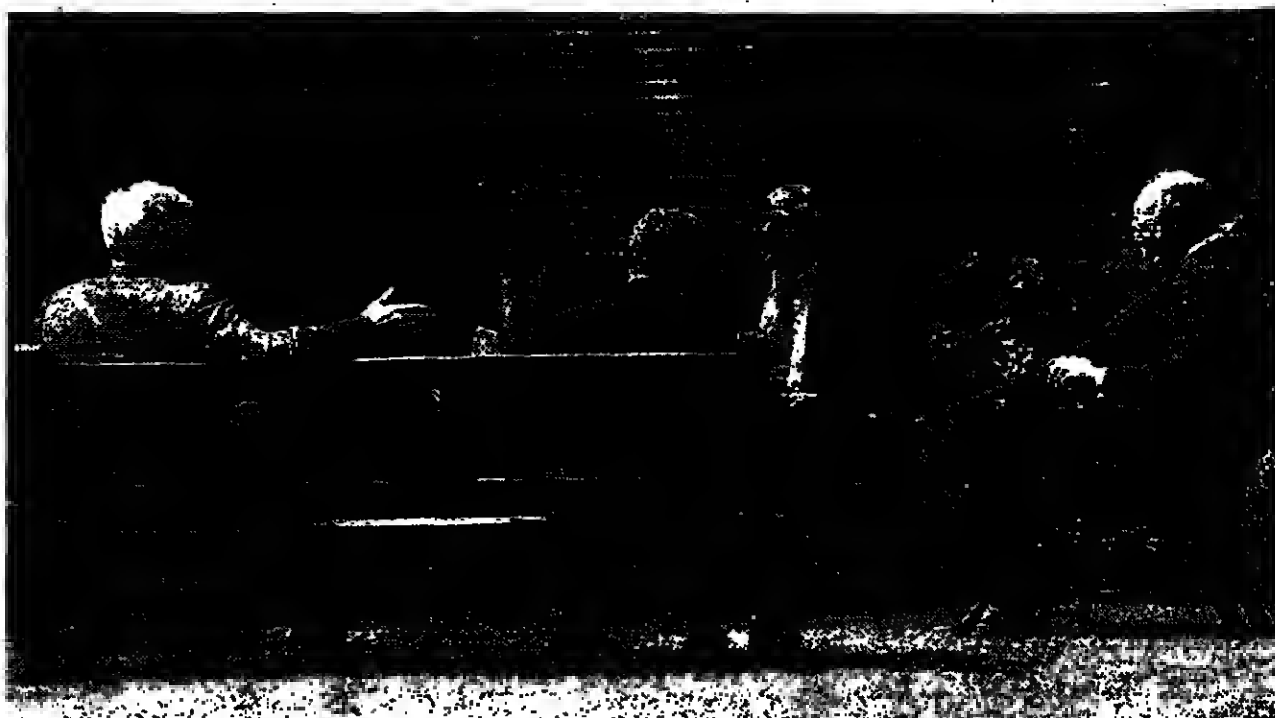
A German-inspired "draft Felipe" movement could start to roll if Mr Kohl sticks to his self-imposed deadline of July 15 to come up with a compromise candidate to replace his protégé, Mr Dehaene. Germany believes it is vital to present the Commission president designate to the new European Parliament when it holds its inaugural session on July 19.

Mr Cavaco Silva's strongest cards are his experience, his Christian Democrat credentials, and his economic track-record since he came to power in 1985. But Portugal holds elections in October 1995, and Mr Cavaco Silva's presence is viewed as vital to the ruling party's hopes of attaining a third consecutive absolute majority. Mr Kohl is also said to be ambivalent.

Mr Amato's name is understood to have come up yesterday in conversations between Mr Douglas Hurd, UK foreign secretary, and Mr Antonio Martino, the new Italian foreign minister.

His weakness is his connections to the corruption-plagued Socialist government of Mr Bettino Craxi, though he has remained uninvolved and above suspicion.

Mr Hurd and Mr Martino expressed confidence that the deadlock over the Delors succession could be broken. "It should be someone who is committed to European ideals, but at the same time who is committed to a dirigiste, centralistic, bureaucratic vision of Europe," said Mr Martino.



UK prime minister John Major (second right) in discussion on the Delors succession in the Downing St garden with Italy's foreign minister, Mr Antonio Martino (second left) and Mr Douglas Hurd, UK foreign secretary (far left)

Grachev announces greater military presence in troubled north

Russia increases Caucasus role

By John Lloyd in Moscow

Russia is establishing a large military presence in the North-Caucasian region, the most unstable area in the country and one in which conflict is expected to spread.

General Pavel Grachev, Russian defence minister, made the announcement yesterday at the regional centre of Rostov on Don shortly after the resolution of the area's third hostage crisis in the past six months. Three armed men had

held a bus load of 40 hostages and escaped with a reported \$8m and a helicopter, but were captured in the autonomous republic of Chechnya.

Gen Grachev, in remarks to the Interfax news agency, said he was creating "an army capable of conducting combat operations", able to defuse large and small conflicts. If regional forces proved unable to cope, Russian troops would help crack down on "terrorist groupings" which have flourished in the region.

The Caucasus, with several autonomous republics providing a home for numerous, often mutually hostile, ethnic groups, has become in the past two years a hotbed of feuds and outbreaks of hostilities which are barely controlled. The fiercest fighting has been across the Russian border in Georgia, where some 3,000

Russian peacekeeping forces have been deployed this month in the breakaway region of Abkhazia. They are already blamed by the Abkhazian delegation in Moscow for promoting the return of Georgian refugees who had committed "war crimes" against Abkhazians, which has declared itself independent.

At the same time, the Russian military continues to deploy armour in the region in excess of levels agreed in talks within the framework of the Conference on Security and Co-operation in Europe. This has caused fears of Russian expansionism, especially in Turkey, whose regional power had itself been expanding and which has several areas of potential tension with Russia.

Gen Grachev's announced initiative puts in doubt once

more the ability of the military to live within a budget for 1994 of Rb40,000bn, the sum agreed by the parliament last week when it passed the overall budget. It shows he is willing to use such incidents as the taking of hostages to argue the case for the army's higher profile as a saviour of the nation, from border and other conflicts.

President Boris Yeltsin, who is anxious to retain military support, has partially bowed to the generals' demands by saying that while their access to budget funds was limited, "off budget funds" would have to be created to satisfy their most urgent needs, and those of the arms-producing plants which are being starved of orders. One proposal has been to use the money gained from weapon sales abroad for expenditure on the military.

Bulgaria signs accord to reduce \$8bn bank debt

By Theodor Troev in Sofia

Bulgaria and its London Club commercial bank creditors yesterday signed a debt reduction agreement which should re-establish the country's financial links. These have been blocked since 1990 when the Socialist government initially stopped interest and then capital repayments.

For the past four years Bulgaria has been cut off from western commercial financing and has had to rely on the IMF, the World Bank, and foreign aid.

The agreement provides for a 47.1 per cent reduction in Bulgaria's \$8.1bn (£5.3bn) debt to a group of more than 300 commercial banks. Bulgaria's total foreign debt, including that to Russia and other former Soviet bloc countries, is \$9.3bn.

The deal was signed by the finance minister, Mr Stoyan Alexandrov, and Deutsche Bank, as closing agents for the

deal, Citibank, as fiscal agents, and the US Federal Reserve which will sell Bulgaria collateralised discount bonds. Representatives of 14 creditor banks arrived in Sofia for the signing and rest will sign in London and Frankfurt in July.

The deal calls for the restructuring of \$3.8bn of debt. Of this total 12.4 per cent is to be reduced by buybacks, 60.5 per cent by collateralised discount bonds, and 27.1 per cent through front loaded interest reduction bonds (FLIRBs).

Parliament will have to ratify the deal by the end of July and Mr Alexandrov has been consulting leaders of the parliamentary factions to make sure they will back the deal.

Mr Peter Tils, first vice-president of Deutsche Bank, said the agreement was "a very good tailor-made package" for Sofia. "I cannot imagine what will happen if the agreement is not ratified by parliament," Mr Tils added.

Earlier this week, however, leading economists from both the Bulgarian Socialist party, which currently dominates parliament, and the opposition Union of Democratic Forces, said that Bulgaria's economy would be unable to bear the debt service burden.

According to finance ministry sources \$710m in up-front payments will be needed for the deal to be closed, reducing the currency reserves of the central bank to some \$400m. The annual cost of the deal is expected to be just under \$200m over the next seven years.

The World Bank and the IMF are expected to put up a special loan of \$250m to help finance buy-back operations, but this is conditional on speeding up reform, including privatisation. Other priority areas for improvement are bankruptcy laws, banking supervision and a reduction in social assistance payments.

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EUROPEAN NEWS DIGEST

France raises minimum pay

The French government yesterday announced that the SMIC minimum wage would be increased by 2.1 per cent, from FF34.85 (\$4.13) an hour to FF35.56 (\$4.19) from the beginning of July. The increase, in line with the legal formula for calculating the minimum wage, prompted an angry reaction from trade unions, which had been demanding an additional increase. The SMIC is at the centre of the debate about French labour market reform. An attempt by the government to change the system so that young apprentices could be paid less than the SMIC prompted nationwide protests in March and forced a humiliating climbdown by the government.

The big CFDT union federation, which had demanded an increase of 2.7 per cent in the SMIC, said yesterday that "once again, the lowest paid would not benefit from the same increase in purchasing power as the rest of French employees". Under the new rate, the 1.45m employees who receive the SMIC will be paid FF35.56 a month for 168 hours of work. *John Riddings, Paris*

Athens balks at airline ruling

Greece is objecting to conditions proposed by the European Commission in return for approval of a rescue package for Olympic Airways, the loss-making state carrier. Athens believes the conditions would undermine a plan designed to return the airline to profit by 1997. Fresh talks are due to be held in Brussels next month. The Commission wants Olympic to drop its monopoly of ground handling operations at Greek airports immediately and allow two other airlines to offer competitive services.

Greece also objects to the Commission's requests that Olympic freeze its seat capacity while the three-year restructuring plan is in effect, and open up its profitable Aegean island routes to competition from 1998. The restructuring plan calls for writing off almost Dr500bn (\$1.94bn) in accumulated debt and providing Dr30bn in fresh capital over the next three years. *Kerim Hope, Athens*

Swedish anti-EU camp grows

Opposition to joining the European Union has strengthened significantly in Sweden over the past month according to an opinion poll published yesterday. It underlined the difficulty facing the country's political leaders in their attempt to win acceptance of membership in a referendum on November 18. The poll, in the Gothenburg Post newspaper, showed opposition rising to 45 per cent from 40 per cent in a similar poll in May. Support also grew for the Yes camp, from 34 per cent to 37 per cent. But the worrying trend for EU supporters was the greater share won over by the No side from a narrowing pool of undecided voters, widening the opposition's lead. *Hugh Carnegie, Stockholm*

Bonn pushes green car sales tax

The German government is pushing the European Commission to back a proposal that would impose a sales tax on cars with heavy petrol consumption. Mr Klaus Töpfer, the federal environment minister, said he believed the German proposal - which would levy tax on new cars that consume on average more than five litres of petrol per 100km - was the best way to control CO2 emissions from cars. He said the European Commission had not yet signalled it would pursue the proposal, although Germany hopes to have gained approval from the environment ministers of the other member states by the end of its presidency. Mr Töpfer conceded that the proposal was unpopular in Germany, where car makers make preponderantly big-engined cars. On average, German cars consume 9.5 litres of petrol per 100km. *Emma Tucker, Bonn*

German post sell-off passes

A plan to sell off Germany's postal service, including the state telecommunications company, was approved by the lower house of the German parliament yesterday. The postal service is Germany's largest state-owned employer. Its three components - mail delivery, a banking system, and the telecommunications monopoly, Telekom - have 670,000 employees. The privatisation plans could still run into trouble. The opposition Social Democrats voted for the sell-off but vowed to block it in the upper house when it comes up for a final vote on July 8 if the government does not give adequate assurances to save jobs and benefits. Under the law, as of January 1 private investors could start buying stock in all three branches of the postal service. The government would hold a majority of shares in mail delivery for at least five years. *AP, Bonn*

New leader for Italy's CGIL

The CGIL, Italy's main union confederation long dominated by the left, yesterday elected Mr Sergio Cofferati, a leading member of the chemical workers' union, to succeed Mr Bruno Trentin as secretary-general. Mr Cofferati, 46, will be the CGIL's youngest leader. He also breaks the tradition of selecting the leadership from the ranks of the powerful engineers. He takes over at a difficult time for the union movement, experiencing declining membership and a steady erosion of influence. More than half of the CGIL's 5m members are now pensioners. The confederation is under pressure to forge a closer ties, if not merge, with the other two main confederations, the CISL and the UIL. The three no longer reflect the old cold war division of the union movement when the CGIL was dominated by the Communists, the CISL by the Christian Democrats and the UIL by the Socialists and Social Democrats. *Robert Graham, Rome*

Berlusconi and RAI do battle

The new Italian government of Prime Minister Silvio Berlusconi yesterday decided to raise the stakes in its battle to gain control of the RAI state broadcasting organisation by pledging to remove the management. The RAI management was brought in last year to cut costs and end its political partiality but the new government has felt RAI to be prejudiced against it. The government was obliged yesterday to renew legislation that enabled debt-ridden RAI to keep operating but the cabinet made it clear it would only do this if there was an immediate management change. Management had earlier threatened to go to court and force bankruptcy, thus depriving the government control over its future. *Robert Graham, Rome*

ECONOMIC WATCH

German tool orders up sharply

German machine tool orders climbed by 14 per cent in the first quarter of 1994 and continued to experience double-digit growth in April, the VDW industry association said yesterday. Domestic orders rose 14 per cent and foreign ones 15 per cent. Without announcing an overall increase for April, the VDW noted that domestic orders exceeded levels of a year ago by 20 per cent. Foreign demand in the first quarter was particularly strong from the US, the former Soviet Union, China, Switzerland, Italy and France. The industry, which is slowly emerging from its worst post-war recession, saw its order backlog at the end of the quarter rise to 4.9 months from an average of 4.7 months for all of 1993. Capacity utilisation climbed to 76 per cent in March from a 1993 average of 71 per cent. *AP/DJ, Frankfurt*

The Bundesbank said it allocated 14-day securities repurchase funds at this week's tender at a lowest rate of 4.36 per cent. This compares with last week's lowest accepted rate of 5 per cent. It accepted bids for DM68.2bn, mostly at a rate of 4.97 per cent.

The Belgian national bank yesterday cut its key central rate for money market lending by 0.05 of a percentage point to 4.95 per cent and lowered its regular overnight interest rate by 0.05 of a point to 6.45 per cent. It held its discount rate unchanged at 4.5 per cent and its emergency rate for overnight lending at 9 per cent.

Legal move on Greek embargo fails

European Court of Justice refuses Brussels an emergency ruling to help end Macedonian dispute

By Lionel Barber in Brussels, Kerim Hope in Athens and Reuters

The European Commission has lost its gamble to use legal pressure to force Greece to lift its crippling trade embargo against Macedonia.

In a setback for Brussels, the European Court of Justice has refused the Commission's request for an emergency interim ruling ordering the Athens government to end the blockade, EU officials said.

The ruling vindicates pro-

Greek officials and diplomats who have been pressing for a political rather than legal solution to the crisis in relations between the Skopje government and Athens. The row centres on Greek complaints that the Macedonian name, flag and constitution amount to a territorial claim to its own northern province.

Because of the Luxembourg Court's lengthy procedures, it could take up to 18 months for a definitive judgment. By that time, the impact of the trade embargo against the Macedo-

nian economy could be devastating, introducing new instability into the Balkans, according to Commission officials.

The Commission put its case against Greece at a court hearing two weeks ago held in camera under EU rules permitting such proceedings to take place in secret when they cover matters of international security. The Court had the power to order interim measures to halt the embargo if it considered that there was a risk of grave and irreparable damage. Its decision on an interim ruling

was communicated to the Commission and to the Greek government only.

The Commission's role in the Macedonia dispute has been complicated by the dual responsibilities of Mr Hans Van den Broek, Commissioner for external political affairs.

Mr Van den Broek was in the forefront of those arguing for a legal case before the European Court of Justice in order to undermine Brussels' role as the guardian of the treaty of Rome, but he was also acting as a political mediator between

Skopje and Athens, alongside the US.

A senior Greek official said the Court ruled on the grounds that the Commission had been unable to show that the trade embargo had caused damage to the European Union, through its trade with Macedonia.

The official added that the Greek government would use the breathing space offered by the court ruling to renew diplomatic efforts to find a solution to its dispute with the Skopje government.

Athens justified its initial

imposition of a trade embargo as a means of breaking the diplomatic deadlock with Macedonia - a high-risk move which alienated the majority of its EU partners.

Greece hands over the rotating presidency of the EU to Germany tomorrow. The trade embargo against Macedonia blighted its six-month tenure, though Germany may also be taken to the European Court if it carries out plans for a six-month ban on British beef on the grounds that it could contain "mad cow disease".

Bond rates rise in Athens reflects instability

By Kerim Hope

Greece's Finance Ministry has signalled anxiety over meeting interest payments on government debt by sharply raising interest rates on today's issue of government bonds.

Interest rates on one-year treasury bills, the main instrument for financing a rising public sector deficit, jumped from 18.5 per cent to 21.5 per cent.

The rise underlines the government's difficulties in raising funds following last

month's currency crisis, which was triggered by the abolition of short-term capital controls under EU single market regulations. This month the Finance Ministry must raise a total of Dr550bn (\$1.7bn) to meet debt servicing charges.

To protect the drachma against a devaluation, interbank rates were raised to record levels, while interest rates on fixed-term repurchase agreements soared to more than 40 per cent.

Last month, investors rushed to buy a one-month

zero-coupon bond offered at 27 per cent and a three-month treasury bill at 25.5 per cent, while the one-year bill at 18.5 per cent was ignored. This month, only six-month and one-year bills are being issued.

Though liquidity has started returning to financial markets as interbank rates decline, borrowing rates for working capital are still at more than 30 per cent.

Bankers predict that real interest rates on government paper will remain at more than 10 per cent, as the gov-

ernment borrowing requirement is projected to rise sharply later this year.

To meet interest payments from a debt rescheduling carried out two years ago, a total of Dr2,000bn must be raised in September and October alone. Total interest payments this year on government debt are estimated to equal 13.9 per cent of Greece's gross domestic product.

One banker said: "Such a big leap in rates on treasury bills, coming at a time when the government's stated policy is

to bring interest rates down, indicates that financial markets are still very unstable."

Public debt, already equivalent to 110 per cent of GDP, is expected to rise to 116 per cent of GDP before starting to decline in 1997, according to the Economy Ministry. Because of the high inflation rate, which has edged up from 10.5 to 11 per cent, the Finance Ministry has not been able to extend the maturity of government debt. Issues of three- and five-year government bonds carry floating interest rates

linked to that of the one-year treasury bill.

Amid clear signs of investor fatigue, there is growing concern among bankers that the Finance Ministry may be forced to undertake a partial rescheduling of the domestic debt later this year.

However, a rescheduling would affect debt held by Greek banks as part of their reserve requirements, rather than treasury bills in the hands of private Greek and international investors, analysts said.

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NEWS: INTERNATIONAL

Tomiichi Murayama, a fisherman's son, is Japan's new PM

Lifelong socialist takes charge

By Gerard Baker in Tokyo

Mr Tomiichi Murayama, Japan's fourth premier in less than a year, is a lifelong socialist, with no previous experience in a ministerial post.

The 70-year-old Mr Murayama became chairman of the Social Democratic party last September after the resignation of Mr Sadao Yamashita, who stepped down in order to take responsibility for the party's poor showing in the election that summer.

Mr Seishiro Fukuda, editor of the party newspaper Shakai Shimpō, described him at the time as a politician who had no distinct policy platform. "He is a harmoniser who will play a balancing role."

But his attempts to balance the opposing wings of his own party created little harmony for the coalition formed as a result of that election. The socialists repeatedly threatened to leave the government. They started out opposing the opening up of the country's rice markets and initially opposed the reform measures of the Hosokawa government.

In February this year, the uneasy truce between the socialists and their nominal allies in government threatened to break down completely when Mr Hosokawa tried to push through a sharp increase in consumption tax to offset cuts in income tax. The socialists' opposition forced the government to drop the plan.

The strains of office finally proved too much for the party in April when the new government of Mr Tsutomu Hata constructed a conservative grouping within the coalition.

Hours before the vote yesterday Mr Murayama was still involved in negotiations with



Tomiichi Murayama announces his candidacy for the premiership yesterday

Mr Hata. When these broke down he won the backing of most members of the LDP.

He takes office at the head of a government dominated by the LDP, which had been the conservative ruler of Japan for

nearly 40 years and, until last night, the new prime minister's inveterate political foe.

A striking figure, tall and stooping with bushy eyebrows, Mr Murayama is a former trade union official. The fifth

son of a fisherman from Oita prefecture in southern Japan, he attended Meiji University in Tokyo. He spent several years in local politics before being elected to the lower house of the Diet in 1972.

Fourth government in a year brings LDP back to power

The old order of Japanese politics last night took its revenge on the new, in a twist to the past year's dismantling of the traditional structure of power.

The three-party alliance of the rightwing Liberal Democratic party, the left Social Democratic party and the New Harbinger party, an LDP splinter group, is extraordinary by any standards.

The LDP and SDP were in government and opposition respectively for 38 stable years until the collapse of the LDP government just under a year ago.

Since then, Japan has had two coalition governments dedicated to sweeping away the old order, in which policies were made on the whim of LDP factions, in favour of a new power structure closer to the electorate. This morning, a puzzled electorate will wake up to find that the LDP, a creature of the old system, is back in the fourth government in a year.

The new coalition, with a slender eight-seat majority, may prove to be even less stable than its short-lived predecessors. In just over a week's time, at a Group of Seven summit, its prime minister, Mr Tomiichi Murayama, 70, will face US President Bill Clinton, who is anxious for evidence that Japan is moving to stimulate its convalescent economy.

Yet Mr Murayama and his party are far out of line with the LDP on most issues, from defence to foreign affairs and tax.

But the force that drew the old enemies together is clear. Both the LDP and SDP are

dominated by conservatives with large factions which are reluctant to accept economic deregulation and political reform, the mainstays of the previous two coalition governments' policies.

Both parties also fear that plans to change the present multi-seat constituency system into a mixture of single-seat and proportional representation will sweep away the sup-

port groups that kept them in

power for nearly four decades.

Mr Murayama has recently called for a snap general election under the existing political system, before new electoral boundaries can be prepared for the new one, by autumn.

This could delay or even spell the end of political reform, officials of the former coalition fear.

Mr Murayama last night appeared to soften his stance and maintained that the new government would pursue political reform, a sign, though not a conclusive one, of sensitivity to the support for political reform among Japan's electorate.

The LDP and SDP are also united in their dislike for Mr Ichiro Ozawa, the former LDP secretary general who brought down the LDP government last

June by leading a defection. The SDP's wish to take revenge on Mr Ozawa dates from his backing for the formation of a centre-right bloc in April. This excluded the SDP, causing it to stooge out of the government. That deprived the coalition of its majority, making Mr Hata's resignation last Saturday, a matter of time.

This will be controversial because Mr Hashimoto, like the mainstream of the LDP, supports plans for tax reform along the lines drawn up by the Finance Ministry, for a cut in income tax to be followed by a more than doubling of Japan's internationally low 3 per cent rate of sales tax. It was this very issue that forced the SDP to break off talks with the former coalition.

The SDP, which bitterly opposed the introduction of sales tax in 1988 and campaigned on a promise to ban the tax, will not accept his appointment easily and will find it even harder to accept a decision on raising tax.

The LDP and SDP were both internally divided before that made their grab for power last night. The drama may have shaken their unity even further, by forcing reform-minded members of the LDP and SDP to vote against their old parties.

On the LDP side, they include Mr Toshiaki Kaifu, a reform-minded former prime minister who broke away from his party ranks just 1½ hours before the parliamentary vote, in order to stand against Mr Murayama with the backing of Mr Hata's coalition.

Mr Kaifu had the support of two other LDP heavyweights, former prime minister Mr Yasuhiro Nakasone and former foreign minister Mr Michio Watanabe.

Mr Kaifu, looking impressive after his defeat, said he would now leave the party. The others may be considering another round of defections. The cost of last night's grab for power could, for the LDP, be very high.

Japan's industrial output set to rise again after 32nd straight fall

Japanese industrial output fell 1.4 per cent in the year to May - or 0.3 per cent from April, William Dawkins writes. This is the 32nd month in which annualised production has fallen, a record downturn. However, the Ministry of International Trade

and Industry forecast that it would rise by 1.9 per cent from May to June, to give a 0.3 per cent annualised rise for this month.

Quarterly figures suggest that production may have started to turn the corner at the beginning of this year,

heralding recovery. It rose by a seasonally adjusted 1.5 per cent from the last three months of 1993 to the first quarter of this year and could rise by 1 per cent again in the second three months, said MITI. An official

warned, however, that the yen's volatility against the dollar could upset that prediction. "There are still ups and downs," he said.

Inventories of unsold goods reached 17.8 per cent of annual sales in May, down 2.3 per cent over the year. "There was still a sense of

excess" and industry needed to cut inventories still further, an official said. Stock levels are watched closely because an end to inventory adjustments has presaged a sustained rise in industrial output in previous recoveries.

Mr Koichi Kato, a member of the powerful Miyazawa faction, acknowledged the former rivals' common interests last night when he said his party shared a common threat of history with the SDP. The breakdown of Japan's traditional political order had eroded their ideological differences, he said.

Mr Morihiro Hosokawa, the former prime minister who fought to push political reform through parliament earlier this year, saw it differently. "This collusion is the last struggle of two parties trying to stick to their logrolling politics that dominated Japan since 1955," he said.

Mr Jesper Koll, chief economist at SG Warburg Securities in Tokyo, described it yesterday as "a desperate marriage of the cold war warriors".

The marriage, however, will

Keating renews effort to strengthen economic ties with Indonesia

By Manuela Saragosa in Jakarta and Nikki Tait in Sydney

Mr Paul Keating, the Australian prime minister, yesterday ended a three-day business promotion visit to Jakarta, reflecting his renewed effort to place Australian-Indonesian ties on a sound economic footing after a history of political differences.

Relations between the two countries have had a bumpy ride over the last few years fol-

lowing Australia's criticism of Indonesia's record on human rights.

Mr Keating's efforts to divert the focus to economic issues has become more urgent in the run-up to the Asia Pacific Economic Co-operation (APEC) summit in November, which will be chaired by Indonesia.

Two-way trade between Australia and Indonesia rose to \$3bn last year, nearly twice its level of five years ago, and Indonesia is Australia's 11th-largest trading partner. While

Mr Keating is keen to promote close business ties, Indonesia showed more interest in accelerating the pace at which its trade deficit with Australia is shrinking - to \$688m last year from \$833m in 1990.

Mr Keating's visit coincides with Australia's biggest trade exhibition ever - Australia Today Indonesia 1994 - which is being held in Jakarta.

Although Mr Keating would have preferred to adhere to economic matters, pressure in Australia forced him to raise

the question of Indonesia's recent press bans. Last week the Indonesian government banned two leading magazines and a tabloid - Editor, Tempo and Detik - in its most severe clampdown on political debate in years.

The ban came after the government had pledged to foster more political openness. Mr Keating said he expressed his regret at the press ban, which he said "appears to conflict or at least contrast with the openness generally occurring in the Indonesian econ-

omy", but did not give the impression the press ban was discussed in any detail.

This was Mr Keating's third visit to Indonesia. In three years, on each occasion he has vowed to move away from discussing their relations in political terms. "No country is more important to Australia than Indonesia," he said during a visit in March this year. "For too long we have been inclined to see both Indonesia itself and our relationship with Indonesia, in almost exclusively

political terms."

In Australia, the Department of Foreign Affairs and Trade published a report on the Australian-Indonesian trade relationship yesterday, to coincide with the Jakarta trade fair and business conference. The report, including a series of articles by both Australian and Indonesian officials and academics came to no firm conclusions about the relationship's likely development, but some authors stressed that the countries' geographical proximity

would be no guarantee of enhanced economic ties.

"The report quoted Mr Richard Woolcott, head of the Australia-Indonesia Institute, as saying that 'opportunities will not fall into our lap because we are neighbours', and pointed out that while Indonesia is a very large potential market for Australia, the reverse does not hold true. 'Australia is geographically isolated, and must overcome any tendency to insularity to which this might give rise by linking in with

rapidly developing regional transport and telecommunications networks," it suggested.

The report noted that in key areas, such as textiles, the trade relationship is still hampered by past protectionist policies. While Indonesia has developed its textile export industry, and is acquiring an increasing amount of cotton from Australia, one author said there could be "more mutually beneficial two-way trade as both countries move to greater liberalisation".

Market - not central bank - to supervise NZ banking

Customers, competitors and the press will be system's new watchdogs, writes Terry Hall

New Zealand's Reserve Bank is pressing ahead with a revolutionary free market approach to banking supervision.

The present system, under which the country's 18 licensed banks provide confidential information to the central bank to enable it to monitor risks, is due to be abolished early next year.

In its place comes "prudential supervision", which rests on maximum public disclosure. The information which had been provided to the central bank confidentially will instead be published each quarter, allowing the public - customers, competitors, the press - to act as watchdogs on a bank's affairs.

Locally incorporated banks will have to appoint independent directors, including the chairman, who will have to sign statements attesting to the truth and adequacy of risk management systems.

The new system is based on the principle that a well-informed market is the safest, best and least expensive way for a central bank to supervise banking operations.

Mr Murray Sherwin, chief manager of the banking system department of the Reserve Bank, says it is designed to ensure banks' directors take a greater interest in "getting it right".

He says companies will put in place good risk management systems rather than be forced to publicise bad news that might crop up in a particular quarter. "In future they'll think very carefully of their risks and obligations. And directors will be looking equally closely at their bank's

skills and systems, fees, costs and internal budgets."

Mr Don Brash, governor of the Reserve Bank, says no system of banking supervision is perfect, but he is confident that the new one will reduce the risk of bank failure.

The proposals, due to become law in the first half of 1995 after mainly technical revisions of the final draft, should lead to lower compliance costs. Mr Sherwin says under the US system, for instance, regulatory costs might be 6 to 14 per cent of banks' non-interest expenses. "There is no reason why the costs should be so high."

The new system will build on principles used in establishing the prudential supervision framework over the past seven years. The system, introduced in 1987, kept regulation to a minimum, based on the concept that the incentive for prudent management should come from the discipline of a competitive market, and that the guardian of the stability of the banking system, not the protector of individual institutions or depositors. This "hands off" approach will mean that the central bank will mainly be concerned with the management of bank failures.

The 1990 Reserve Bank Act, which gave the bank independence in setting monetary policy with the aim of securing low inflation - also set in place procedures aimed at ensuring market discipline as the best contributor to a sound financial system. The emphasis was on ensuring the best possible information circulated to prevent bank failure.

Mr Sherwin says the new system will offer a number of advantages. It will lead to efficiency gains. Requirements for banks to issue costly prospectuses for money raising will no longer be needed. Banks will no longer have to provide quarterly prudential returns to the central bank, nor will they have to make themselves available for internal reviews.

Mandatory risk limits on large foreign exchange exposures will be abolished. So will banking supervision fees. However, banks must provide comprehensive quarterly disclosure statements, which could involve costly preparation. These must be audited at the half-year, which could also be expensive.

Mr Sherwin dismisses suggestions that New Zealand is introducing the new system because most of the banks are now overseas-owned. He says the logic of the new system is made even more valid because of the diversity of banks and the difficulties of applying rules that fit their varying activities.



Brash: "no system is perfect"

by the 1985 Basle capital accord.

Banks have generally welcomed the latest proposals although they have expressed concern that the plans still represent a radical step that might damage investors' perceptions.

A spokesman for one bank - who did not wish to be named because of the sensitivity of the issue - warns that international investors might be forced to "price in more risk" in their loans to New Zealand banks.

Banks also worry that some small retail customers may not understand the meaning of the credit ratings. Some are perturbed at the cost of providing quarterly detailed reports, while others say they have an open mind to see how the new system works in practice.

Dr Roderick Deane, a leading free marketeer who heads Telecom, New Zealand's biggest company, and has had a big influence on the new strategy, says the private sector should be left to monitor the performance of the banks.

"The bureaucrats can't do the job any better," he says.

Row over state role in Israel Chemicals

By Julian O'Connell in Jerusalem

Israel Chemicals, the country's biggest chemical and fertilizer group and one of the nation's leading exporters, is at the centre of a row between ministers and government officials over the next phase of its privatisation.

Mr Micha Harish, the minister of industry and trade, has publicly criticised the Government Companies Authority, charged with selling state-owned companies, and called for the resignation of Mr Yoel Nitzan, its director.

Mr Harish wants to make the company, of which the government holds 75 per cent, to move its headquarters from Tel Aviv to Beer-Sheva, in the Negev desert. He said it was vital that large state-owned companies such as IC move there to encourage foreign investment in the development of the Negev.

However, when Mr Nitzan last week met New York-based investment banks to discuss the next phase of IC's privatisation the bankers were reported to have voiced concern about government interference in the management of the company.

They also expressed reluctance to become involved in selling shares in the US so long as the government continued to hold a majority stake. Investment analysts said the government had to make a clear statement of its timetable for selling shares in the company.

The government has decided to reduce its stake in IC to 28 per cent by the end of this year and plans to sell 16 per cent of the company to a private investor and 32 per cent by international public offering.

Pyongyang suspends propaganda

North Korea has suspended its usual loudspeaker broadcasts of propaganda against the Southern president at the truce line dividing the communist and capitalist states, writes Bradley Martin in Seoul.

The broadcaster attacking South Korean President Kim Young-sam, normally directed to southern soldiers along the border, halted at 5pm on Tuesday, just before the announcement of an agreement to hold the summit in Pyongyang next month.

Temporarily turning off its propaganda insults has been a standard North Korean measure whenever the two sides approach face-to-face meetings. The pattern has been for the insults to resume after failure of the talks.

In recent months North Korean propaganda has denounced the South Korean president as a traitor. Seoul generally is more restrained in its broadcast characterisations of North Korean President Kim Il-sung.

The Foreign Ministry did not say how many soldiers would go or when. Nor was it clear whether the contingent would join French troops already in Rwanda or wait until a strengthened UN force is deployed.

So far only Senegalese soldiers have joined the French force, which has a UN mandate to bring humanitarian aid to survivors of Rwanda's genocide.

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The blasts occurred shortly after the start of the rally, called by the Rassemblement pour la Culture et Démocratie, one of Algeria's main secular parties, just as the party's leader, Mr Said Saadi, was passing. A spokesman for the

CDR said Mr Saadi was unhurt. The CDR called the demonstration, which it said was tens of thousands strong, on the second anniversary of the assassination of Mohamed Boudiaf, the former president. No group has claimed responsibility for the blast, which the CDR said was "clearly an attack on Algeria's democratic forces". More than 4,000 people have died in political violence in Algeria since the cancellation of elections in 1991 led to intensified clashes between Islamic militants and the security forces.

Mr Saadi said the authority made its latest submissions to the United Nations Compensation Commission in Geneva, filing up to \$90m in claims, some \$41m of which were on behalf of the Kuwait Investment Authority, the state's investment arm.

NEWS IN BRIEF

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Gentle man in search of a tough job

Nancy Dunne interviews Rubens Ricupero, candidate to lead the World Trade Organisation

Mr Rubens Ricupero looks more like a minister - particularly Brazil's finance minister on the eve of a potentially painful currency conversion.

A fringe of white hair springs from his bald pate. His demeanour is gentle. But the job he wants is one of the most formidable in the diplomatic world: the director-generalship of the still-to-be-launched and not-yet-defined World Trade Organisation, successor to the General Agreement on Tariffs and Trade.

Mr Ricupero first has an obstacle to overcome in his own hemisphere - the now formalised candidacy of Mexican President Carlos Salinas. The Brazilian has only complimentary things to say about Mr Salinas and stresses that his own candidacy is based on "different criteria" - an intimate, detailed knowledge of world trading rules.

"I know the traditions, the history, the people. I could go to work there tomorrow," he said.

Mr Ricupero has been finance minister since April, after holding a succession of increasingly visible diplomatic and political posts. He was ambassador to Gatt (1987-1991), ambassador to the US

(1991-1993), and environment minister (1993).

During his time at Gatt he served as chairman of the Informal Group of Developing Countries, the Committee on Trade and Development, the Gatt Council and the Gatt Contracting Parties.

His candidacy springs from Geneva (where the Gatt secretariat is based), rather than Brasilia, said one of his aides. "He was asked to run; he did not seek this and there are many other things he can do."

Brazil's finance minister claims an intimate knowledge of trading rules

Mr Ricupero's tact on the subject of Mr Salinas is remarkable considering what Brazilians regard as unparliamentary behaviour on behalf of the Mexican president at the Ibero-American summit in Cartagena, Colombia, two weeks ago.

It was only after the Brazilians left early on hearing of the death of their president's nephew that Mr Salinas's supporters moved and won an unofficial endorsement of the Mexican president's candidature, the Brazilians say.

It caused a diplomatic inci-

dent with Argentina which has now backtracked and supports Mr Ricupero.

Mr Ricupero's beat shot could be as a compromise candidate from the developing countries in the case of a stand-off between Mr Renato Ruggiero of Italy, as the EU's candidate, and Mr Salinas, who may be regarded by some as too close to the US.

Mr Ricupero's supporters have a long list of points in his favour. Brazil's economy comprises 40 per cent of Latin

America's gross domestic product; Brazil was a founding member of the Gatt, which Mexico joined just eight years ago; Mexico's trade is heavily dependent on the US while Brazil's is truly multilateral - about 20 per cent of its trade is with Asia, 22 per cent with the US, 30 per cent with Europe and 20 per cent with Latin America.

Mr Ricupero's staff call him a "Renaissance man", equally comfortable discussing music, the arts, philosophy and religion. He still teaches two courses at the University of

Brasilia, where he started teaching in 1987 and was appointed professor. There is the air of the pedagogue about him as he dissects the pros and cons of trading blocs and concludes that they are "building blocks" of liberalisation in which trading partners can more easily make concessions.

"One of the aspirations of Brazil is to advance towards a South American common market," he said. Eventually the hemisphere would unite under the banner of free trade.

He sees little threat of a return to the protectionism of the 1930s. There is no depression or scarcity of strong currencies to drive it, he said. Instead of deepening political divisions - as between the fascists, communists and democrats in the 1930s - there is now "systemic convergence".

He said the WTO, which still "has only a paper existence", must be given form and substance based on the rules agreed in Marrakesh. These rules must be tested, he said.

He has definite ideas about what the WTO should not be - centralised, like the other Bretton Woods institutions, a large bureaucracy, or ideological. It must be more open to outsiders; special meetings could be called to give access to non-



Rubens Ricupero: 'I could go to work there tomorrow' Tony Anderson

governmental organisations.

As for the controversy over bringing workers' rights into the WTO, he called for a "step-by-step approach for confidence-building" among the warring parties. Polarisation

between north and south must be avoided. The issues must be clarified by debate.

"There is a tremendous amount of distrust," he said. "We must avoid being bogged down."

US farmers win pledge on subsidies

By Jeremy Kahn in Washington

US farm subsidies and programmes will not be cut to make up for the shortfall in government revenue caused by the Uruguay Round of the General Agreement on Tariffs and Trade, according to Mr Leon Panetta, outgoing director of the budget office.

Mr Panetta made the pledge while speaking before a House agriculture committee. The administration has yet to account for approximately 25 per cent, or \$30m (\$1.9bn), of the tariff revenue which the US will lose under the Uruguay Round.

Mr Panetta's assurances to the House committee were intended to quell rumours, circulated by Gatt opponents earlier in the week, that the administration was planning to slash agricultural aid in order to cover the lost revenue.

Some members of Congress had threatened to oppose Gatt implementation legislation if the administration cut farm programmes.

Mr Michael Espy, US agriculture secretary, yesterday said Mr Panetta's announcement demonstrated the administration's deep commitment to domestic farmers.

Despite reports that an announcement of the administration's solution to the \$30m loss was imminent, no statement has been released so far this week.

Federal lawmakers, who have yet to pass legislation to implement the Uruguay Round, have raised a number of other concerns about ratifying the Gatt deal.

These range from its perceived conflict with US laws and infringement on US sovereignty to fears about the loss of domestic jobs.

Special interest groups opposing US implementation of the Uruguay Round and participation in the proposed World Trade Organisation - the successor to Gatt - have stepped up their attacks recently, staging a "national call-in" to the Capitol Hill switchboards to voice their opposition.

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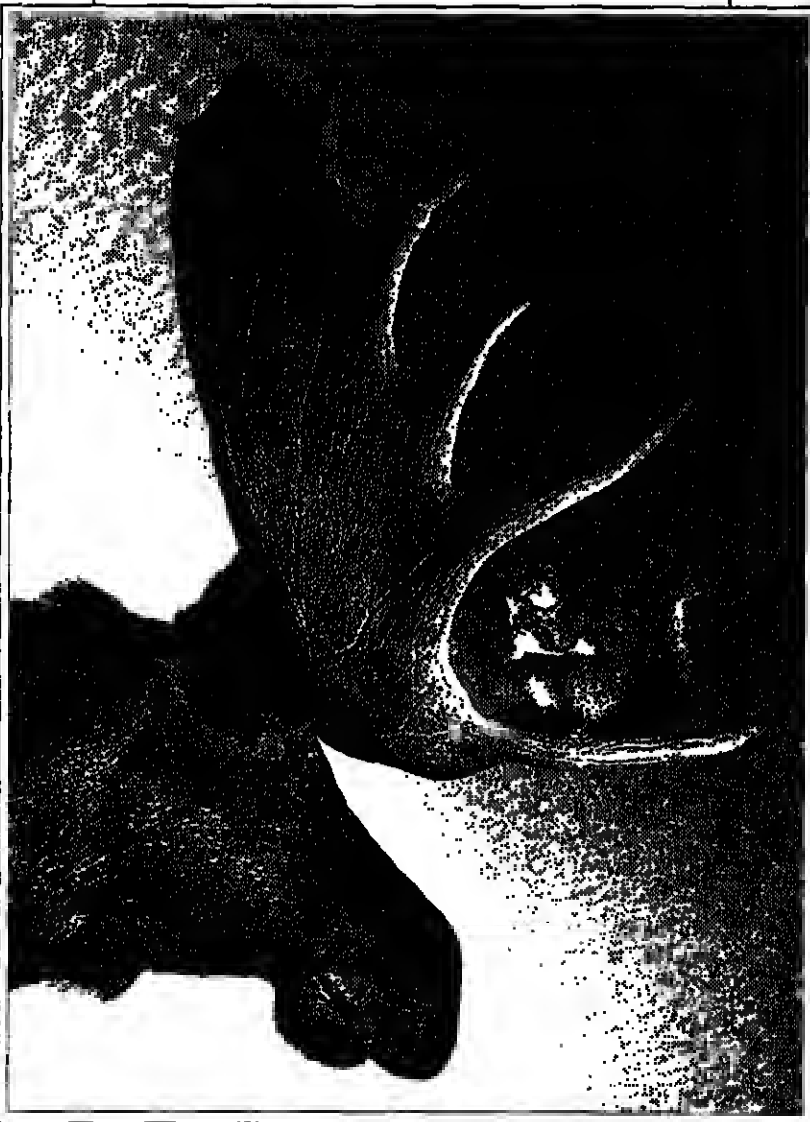
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Resurgence of S African wine sales in Canada

By Bernard Simon in Toronto

South African wines have made an unexpectedly strong comeback in Canada since trade sanctions against Pretoria were lifted six months ago.

Canada had vied with the UK as South Africa's biggest wine and spirits market before the imposition of sanctions in 1986.

Government liquor boards, which control wine and spirits marketing in most Canadian provinces, have yet to issue detailed sales figures for the past few months. But an official at the Ontario board, the world's biggest liquor retailer, confirmed that it has struggled to keep up with demand.

"There was a fair bit of anticipation among wine enthusiasts for South African products," he said. Many retail outlets have run out of stocks.

Mr Michael Sainsbury, local agent for the South African Co-operative Winegrowers' Association, "conservatively" forecasts sales of South African red wines in Ontario will reach 9,300 cases this year, only 13 per cent short of volumes in 1986, the last full year before sanctions.

He estimates white wine sales this year at 8,000 cases, about two-thirds of 1985 volume. Demand for brandy and other fortified wines has risen more slowly.

The strong performance of the South African products is ascribed partly to competitive pricing and wine drinkers' past loyalties. But their reappearance has also coincided with rising demand for wines from other southern hemisphere countries, notably Australia and Chile.

A vigorous marketing campaign, including the formation of a wine society, has accompanied the South African return. More than a dozen agents have sprung up in Canada to represent various Cape wine estates.

NEWS IN BRIEF

S Korea warned over car imports

The European Commission's deputy director general for industry has warned South Korea that pressure is mounting in Europe for a reduction of Korean car imports unless Seoul opens its market to foreign competition. Reuters reports from Seoul.

In 1993, South Korea exported about 100,000 passenger cars to Europe but imported only 363 European cars. Foreign imports accounted for a mere 0.2 per cent of the total South Korean market of about 1m last year.

Thai railway decision

The Thai cabinet has decided that the Hongkong group Hopewell Holdings will not have to run any part of its 60km road and railway scheme underground in the centre of Bangkok. William Barnes reports from Bangkok. The cabinet would still like nearly half of Tanayong's 22km elevated railway to go underground following vigorous protests by local environmentalists; the Land Traffic Management Committee has a fortnight to try to negotiate with the Bangkok-based developer. Bangkok Land, which unlike Hopewell and Tanayong has yet to sign a franchise agreement, has agreed to take much of its 20km "skytrain" project underground, receiving a maximum subsidy of \$600m on top the estimated original \$2bn cost.

Software raid in Beijing

Chinese authorities yesterday raided a Beijing computer software distributor and four outlets, AP-DJ reports from Beijing.

The Business Software Alliance, an industry-funded watchdog, nevertheless pressed on with calls for the Clinton administration to apply Section 301 of the US Trade Act to its dealings with Beijing. The decision whether to proceed with a so-called "special 301" investigation is due today. If the US imposes 301 and carries out a probe into China's protection of intellectual property, Washington could impose stiff trade sanctions. The alliance said the raids by Beijing's Intellectual Property Tribunal were the first such action waged against illegal software dealers in China.

Japanese loans to Sri Lanka

Japan will provide concessional credit for six Sri Lankan projects that will cost over \$330m (\$217m), reports Mervyn de Silva from Colombo. The largest loan, for \$150m, will be used by the Ceylon Electricity Board (CEB) to construct a hydro-power plant and a transmission line. Other loans have been allocated for environmental impact and power-system integration studies connected with the coal-fired power project in Sri Lanka's west coast, development of the Colombo north pier, and flood control.

Bombay contract for Zimmer

Zimmer, a Frankfurt engineering and construction group, has been awarded an DM\$5m (£34.2m) contract by Bombay company Rajashree Polyfil to build a polyester plant in Gujarat, reports Valerie Sylvester. The project is a joint venture between the Indian Birla Group and Akzo Nobel Fibres. Zimmer will supervise detailed engineering, construction and start-up of the plant.



The Integration Company

COMPUTER NEWS

Thursday June 30 1994



FS 15073

Control Data - Computer Giant Reborn



Mike Roberts (right) Chief Executive, Control Data Systems Plc and Barry Jackson, Deputy Chief Executive

Control Data, a major computer supplier for 37 years, has acquired systems integrator and software house Michael Business Systems. From July 1994 the two companies will trade in the UK as Control Data Systems Plc, offering an unparalleled service to corporate customers, the Government and the public sector. But why is such a merger necessary, and what does it say about today's UK computer industry?

Computing has always been a rapidly changing field. The only successful hardware and software suppliers are those who have been consistently flexible, always managing to supply technology in line with prevailing developments and user expectations.

Control Data has been in business for almost four decades and attributes its success to such vision and planning. It is not now resting on its laurels.

Thirty seven years ago the company operated in the IBM-dominated host mainframe market with six other major suppliers. But as business demand shifted from proprietary mainframes through minicomputers, personal computers (PCs), Local Area Networks (LANs) and on to open systems, several of its rivals fell by the wayside.

Control Data made sure it kept pace with industry changes. A few years ago, though, it realised its need to reshape itself, discarding its former focus on manufacturing and concentrating instead on becoming a total systems integrator. It considered this a vital step if it were to continue to meet the needs of its customers through the 1990s and beyond.

At the same time it determined to close what it views as gaps in the market, ridding disillusioned users of several perennial bugbears: hardware and software that

cannot handle mission-critical applications; difficult interoperability; insecure data, and weak systems management tools.

End users have always had their problems. As computing moved from the era of centralised mainframe control to that of distributed solutions using powerful intelligent workstations, several things happened.

Many user companies had great difficulty in controlling technology-related decision making. This often meant that IT functions were distributed and decisions made on a departmental basis without regard to the company as a whole.

LAN "anarchy" and the desktop PC began to rule. Many companies installed PCs and LANs in the hope of cutting costs. They soon found nothing had changed. Instead, they were faced with a host of integration, support and management problems previously undreamt of. Data control in such an environment became highly complex.

With this in mind, the then 60,000 strong \$5 billion turnover organisation decided in 1988 to focus solely on integration. It has always had strong integration skills, initially gaining these from its work in linking its powerful parallel processing mainframes to user companies' heterogeneous networks. It methodically built on these skills as the years passed.

In May 1992 the company split itself in two. Control Data Corporation became Control Data Systems Inc. and the Ceridian Corporation. The former would concentrate on integration, the latter on manufacturing.

Control Data Systems emerged as a global systems integrator with product independence and 4,000 employees providing service and support in over 40 countries. But still this was not enough.

The company aimed to increase its already considerable integration capability and gain experience and a customer base in the PC, LAN and Wide Area Network markets. With the acquisition of Everset Inc. in America and Antaris Inc. in Canada, the company hit the acquisition trail in the US and Canada. With regards to Europe the intention was consider only targets with exceptional desktop and LAN integration skills.



Dieter Porad, Vice President, Control Data, Europe, Middle East and Africa

The main European acquisition was in the UK. Control Data researched the market and quickly identified systems integrator and software house Michael Business Systems as having the necessary skills and vision to make it a suitable partner.

Michael was already successful in its own right. It was a profitable, expanding value-added reseller (VAR) with an impressive array of skills and a large, loyal customer base.

As Control Data Systems Plc, the company is certain to earn its position as one of the very few systems integrators with true VAR skills and logistic capabilities.

It has already begun delivering total business solutions from desktop installation to mainframe integration on a European and worldwide basis: customers so far include Bowater, Courts & Co, Allied Lyons, Thompsons and Marks and Spencer.

The company is now the only one in the UK that can offer a true "one-stop-shop" service across Europe. Reflecting user demand, it will continue to enhance this business approach.

Four divisions will operate: sales, technical, service and finance and administration. Sales offices will be located at Burgess Hill in Sussex, in London and Manchester. The company's European logistics centre will also operate from Burgess Hill, while its major roll-out configuration centre will be at Feltham, Middlesex. This will have communications links to all 35 branch offices in 17 European countries.

The company will begin with 350 employees headed by chief executive Mike Roberts, formerly CEO of Michael Business Systems, and deputy chief executive Barry Jackson, previously deputy CEO of Michael. They plan to increase this number before the end of the year.

Control Data is confident that its move away from manufacturing towards integration specialisation will keep it abreast of a volatile industry and believes its competitors will find a similar move imperative.

In the meantime, it will continue providing the wide range of skills and services required by the public sector, the Government and corporate companies struggling to integrate and streamline differing computer environments.

Control Data Systems is an integrator with true reseller capabilities. It is committed to addressing the issues of mission-critical applications, inter-operability, security and systems management and is fully capable of delivering worldwide computing power from under a single roof.

Few other suppliers could claim as much.

Friends Provident calls Control Data first

FRIENDS Provident, the leading insurance and investment Group, has named systems integrator and software house Control Data as preferred supplier for its expanding direct sales operation, Friends Provident First Call.

First Call was established in 1991 in response to market changes. At that time, Control Data installed and configured a Local Area Network (LAN) to help Friends Provident Appointed Representatives and 30 UK branch offices manage their activities. Simultaneously, the same supplier developed a sales database to enable individual offices to log their activities.

Over 1000 employees and Appointed Representatives now use the network, though this number is set to expand. Friends Provident and Control Data are currently discussing the supply of additional personal computers (PCs) and LAN services for 2,000 more users over the short to medium term.

Andrew Whiting, PC manager within the information systems division of Friends Provident, commented: "We chose to work with Control Data because it responds so well to our needs. It has always been efficient and, through its work, it quickly came to seem like part of my own team."

Whiting values the company's ability to meet close deadlines. "Frequently we have very little notice of the opening of a new branch but Control Data has always been able to complete the installation in time," he said. "It is extremely quick to react."

Asset management has also improved since Control Data began work. As individual Appointed Representatives leave or join the sales network they must be relieved of or supplied with the PC they need for the job. This removal and supply can prove time-consuming and complicated for individual branches to co-ordinate. Instead, Control Data will collect, service and store equipment from agents who are no longer working for Friends Provident, installing it elsewhere as needed.

Though Friends Provident is discussing its expansion plans with Control Data, the supplier is anxious not to appear complacent about the likelihood of extra business. A spokesman said: "This is no 'done deal'. We must earn the right to carry on working with Friends Provident. We believe the best way we can do that is to continue offering the best service we possibly can."

main reasons why we awarded the contract to Control Data (formerly Michael) was because they offer good value, financial stability, extensive technical resource and global opportunities.

An additional benefit for M&S in the next two years, is the opportunity to utilise Control Data's warehouse for their own pre-configuration work, and to use it as a delivery centre for their PC systems.

M&S have worked with Michael since 1992, on a supply only basis. During this time they were involved in a feasibility study, to both supply and install through a single supplier. The ultimate success of this trial formed the model for the "invitation to tender" which Michael won.

Yet another project awarded to Michael in 1993, involved completing a major software audit of all Head Office PCs. The resulting database is simple to manage and easy to update remotely from anywhere within the M&S network.



Achieving E-Mail system integration

LINKING many different electronic mail services across one single organisation need no longer be a huge problem.

Visitors to a newly opened demonstration centre at Control Data's offices in Stockley Park will see the solution to the problem lies in Mail*Hub.

Mail*Hub links disparate e-mail services, including Microsoft Mail, ccMail and DEC ALL-IN-1 Mail, to form a single company-wide E-Mail service.

Using Mail*Hub, fast communications within global organisations becomes easy.

TDG go for FleetPower

THE Transport Development Group Plc company has recently made a strategic move with Control Data, one of the UK's top Computer Services companies & global systems integrators, and its Vehicle Cost Management System software FleetPower. This purchase will enhance the cost control of its large vehicle fleet that is dispersed across the various divisions of the company: Transport, Distribution, Hire & Storage Divisions.

Linkman Tankers and Beck and Politzer are the first companies within the



paper-based communications. Large, geographically distributed organisations which rely on the prompt delivery of information will find Mail*Hub the efficient, productive messaging system to bring about large cost savings.

Global fax and document interchange facilities can also be implemented, bringing about even greater savings in

Sun Alliance keeps a firm grip on the road

SUN Alliance has succeeded where many have failed in the problem-ridden jungle of in-house car fleet management. It now administers an impressive 3,500 vehicles with the help of a tailor-made software package, the latest version of which has just gone live.

The insurer's Group Fleet Control unit has expanded threefold since 1981, when it first took on vehicle management. It originally worked with Sun Alliance's own information systems division to install its first management system, replacing this within 18 months, with VCMS, (now known as FleetPower) a system developed by the specialist transport and fleet management division, then owned by Allied Almas, and now part of Michael Software Systems.

VCMS served Sun Alliance well, and as a result, Michael was asked to co-operate in designing a new system when the need arose for a more powerful one. The result - CarMaster - is newly installed and runs as a discrete network, though links have been built to Sun Alliance's other software packages and to the company mainframe.

"Such links would not be possible without the skills of a knowledgeable software integrator", believes Sun Alliance group fleet manager Bernard Carlton. Before developing CarMaster, he examined the packaged fleet management software market and found it lacking.

Carlton said: "VCMS served us well as a vehicle management package but we simply outgrew it. We wanted a new package specifically written for car fleets but there was absolutely nothing available that suited us."

Carlton approached Michael, already one of the leading suppliers of vehicle cost management software, to improve on the old system in a joint development.

CarMaster runs on an IBM AS/400 multi-user minicomputer sited at Sun Alliance's computer centre in Bristol and will support up to 48 users. The Fleet Control unit accesses it remotely from its offices in Horsham.

News in Brief

Earlier this year, Michael supplied and installed a networked PC system for the new Glyndebourne Opera House.

Secretariat gains approval for new development

MICHAEL SOFTWARE Systems, part of Control Data, has launched a networked version of its company register software, Secretariat, and has already signed up many customers, including Shell UK and accountants Price Waterhouse.

The company is now actively working on a Windows version of the software.

Secretariat is based on a relational database and is designed to enable Company Secretaries to store and retrieve information and statutory reports, such as shareholder registers and annual returns, in compliance with companies legislation.

Michael has built up a loyal, enthusiastic customer

base by making sure Secretariat always meets user needs and by involving existing users in the development process.

Users cite Michael's commitment and customer support and Secretariat's ease of use as the main reasons for their satisfaction.

Helen Parry, manager in Price Waterhouse company secretarial department, "is impressed with the level of customer support available to Price Waterhouse. If ever we have difficulty with something, we know we can phone Michael and have somebody immediately working on a solution," she said.

Deirdre Watson, Assistant Company Secretary at Shell UK, who also chairs the

Secretariat User's Group, has been using Secretariat in standalone mode since 1988. She has recently upgraded to the networked version.

Watson commented: "I am very encouraged by the commitment to the product that Michael has demonstrated. The SUG's role has extended beyond that of a lobbying group on behalf of users to being actively involved with Michael in the development of the product."

Parry is impressed with Secretariat's user-friendly qualities. She said: "One of the things people like about it is that it is so simple to use that it was before, and its extra help facilities are

extremely useful."

Parry sees Secretariat not just as a product for Price Waterhouse own use but also as the means to offer a better service to the company's clients.

"I encourage colleagues to turn to my department if they want to offer company secretarial services," she said. "By using us as the company secretarial function for their clients' company books, they can offer great savings in time and fees."

Michael issues upgrades of the software whenever changes in company law make these necessary, together with general enhancements, and when specific requests roll out of the SUG.

Michael buys P&O subsidiary after own acquisition

Systems and software house Michael Software Systems has acquired transport specialist PCI, previously owned by P&O European Transport Services.

This acquisition is the first Michael has signed since recently announcing its own buyout by Control Data.

It will enhance Michael's already solid reputation as a supplier of high quality software to the transport industry.

PCI customers include some of the largest transport and logistics organisations in the UK and Europe. The company has been implementing its general transport systems, known as GTS, GTF and GTI, on IBM mid-range AS/400 computers since 1985.

Michael Software Systems is already a leader in this market, offering two vehicle cost management systems, FleetPower and CarFleet.

Legislators hasten on healthcare bills

By George Graham in Washington

Senate and House committees, spurred on by a tour of Capitol Hill by Mrs Hillary Rodham Clinton, yesterday scrambled to wrap up work on US healthcare reform legislation before Congress goes into recess at the end of the week for the Independence Day holiday.

Administration officials are no longer worrying about the details of the bills emerging from the five main committees with jurisdiction over healthcare; they just want the committee phase finished, so that they can move on to hammering out a bill on the floor of the two chambers.

The labour committees in both House and Senate have marked up bills closely resembling the plan presented by President Bill Clinton.

A third, Congressman John Dingell's House energy and commerce committee, has

given up trying for agreement.

The House Ways and Means Committee, which holds sway over taxation and is thus critically important to the financing mechanisms of any reform bill, is expected to produce its version with a final vote today.

Congressman Sam Gibbons, who took over the chairmanship of Ways and Means after the indictment of Congressman Dan Rostenkowski, has succeeded in holding together a Democratic majority on his committee, thanks in part to resentment at the Republicans' tactical decision to oppose everything.

Mr Gibbons' bill would achieve Mr Clinton's goal of universal coverage by expanding the existing Medicare programme to cover the unemployed and employees of small businesses. It would also retain Mr Clinton's requirement that employers pay 80 per cent of their workers' insurance costs - the most controversial element of the reform and the issue on which Mr Dingell was unable to reach an agreement.

That leaves the Senate finance committee which, as the last to mark up the bill, is seen as holding the key to the ultimate passage of the reform. The committee began detailed drafting yesterday on the basis of an outline produced by its chairman, Senator Daniel Patrick Moynihan. Mr Moynihan's draft would only require employers to pay for health insurance if other reforms to the insurance market failed to expand coverage to 96 per cent of the population over the next five years. Even that delayed mandate, however, is expected to be defeated when the committee votes.

Senator Robert Dole, the Republican leader, was yesterday due to unveil his own modest reform proposal, in an effort to divert criticism of his party's lack of constructive involvement.

Senate blocks product liability change

By Ken Warr in Washington

Sweeping changes in US product liability law, which would have curbed consumers' rights, founded in the Senate yesterday when the bill's supporters failed to break a filibuster.

The Product Liability Act was meant to set a national standard for the treatment of lawsuits against manufacturers of products that have

injured or killed consumers, in place of the existing patchwork of state laws.

Its backers, led by Democratic Senator John D. Rockefeller, argued that changes were vital to streamline the system, and prevent some of the arbitrary or excessive awards against companies which, they claim, are made under state law.

Fear of liability lawsuits was also damaging US competitive-

ness by inhibiting product innovation, they argued.

Opponents included a wide range of consumer, women's and union groups, which fought a tough campaign against the bill, claiming that it curtailed the rights of what were often badly injured individuals in favour of well-heeled US corporations.

Its supporters yesterday fell three short of the 60 Senate votes needed to halt debate on

the issue, effectively killing the bill for this year.

However, the 57:41 vote was the closest the Senate has yet come to advancing such legislation in a 12-year battle over the issue.

The bill sought to:

- promote alternatives beyond trials in court to resolve liability disputes, such as non-binding arbitration;
- eliminate company liability for injuries caused by defective

workplace equipment more than 25 years old;

- end the rule of joint and several responsibility whereby a victim of a dangerous product may be able at present to seek full redress against, for example, a manufacturer and its parts supplier;
- provide an absolute protection against punitive damages for manufacturers of government-approved drugs and medical devices.

FDA says agency is not intent on prohibition

Kessler rules out US cigarette sales ban

By Jeremy Kahn in Washington

Dr David Kessler, the US food and drug commissioner, does not wish to ban cigarette sales even if his agency is empowered to regulate nicotine as a drug, the New York Times reported yesterday.

A congressional sub-committee has been attempting to determine whether the tobacco industry should be more closely regulated and the FDA - at the

request of anti-smoking groups - has been compiling evidence on the addictive qualities of nicotine and whether tobacco companies manipulated nicotine levels in order to hook smokers. The tobacco industry fears that, if the FDA is given jurisdiction to regulate tobacco based on the addictive nature of nicotine, the agency would move to prohibit cigarette sales, driving US tobacco companies out of business.

But sub-committee members and,

now, Dr Kessler, have said it is not their intention to prohibit cigarette sales, an action which conjures up images of alcohol prohibition in the US.

Responding to a suggestion that the FDA is acting as though prohibition were its only alternative to force Congress to find a compromise that severely limits, but does not ban, cigarette sales, Dr Kessler said: "We haven't approached it that way." He added: "We must investigate seriously the question

of whether nicotine is a drug under the law. If we did come to that conclusion... the blunt instruments we have at the FDA to deal with the issue... are not necessarily the best to find a reasonable final policy."

He said he would like to see regulation focused on preventing people - particularly teenagers - from taking up smoking. The FDA, Congress and the tobacco industry said they could find common ground on this.

WORLD CUP

Diplomatic Brazilians respectful of hosts

A classic mis-match? Three-times world champions Brazil are expected to meet the US in the second round of the World Cup in San Francisco next Monday - July 4 - and are trying to appear, like, humble.

The Brazilians dot their comments about the American team with terms like "much improved", "very difficult" and "respect." But it is easy to suspect that the lofty Brazilians are being diplomatic about the World Cup hosts, who have reached the second round against most expectations.

"It is an opponent we respect like all the others. If they reached the final 16, they did so on merit," said Brazil's coach, Carlos Alberto Parreira.

Brazil drew 1-1 with Sweden on Tuesday to top Group B in the first round. The US team were third in Group A.

What exactly does Brazil respect about the Americans, Parreira asked.

"They are very determined to win," he replied. "They have two or three fast players up front."

On the other hand, odds-makers have made Brazil cramped favourites to win the title, and are quoting less than 2-1 against them in London, even though four knock-out stages remain.

Brazil have won all five of their previous matches against the US. The last time the US scored against Brazil - during a 4-3 loss in 1930 - Herbert Hoover was in the White House.

Worse, the Americans will be without mid-fielder and playmaker John Harkes (see story right), who got his second yellow card against Romania and will sit out a compulsory one-game suspension.

The Brazilians still won't knock their hosts. "They are a very difficult team, despite their lack of soccer tradition," says mid-fielder Dunga. "They are greatly improved, with players from Germany and England."

Team-mate Mazinho also predicted a tough match "even though we have superior technique and tradition."

After Mexico's 1-1 draw with Italy on Tuesday, securing a second-round spot, two men died and many were hurt after celebrations in Mexico City led to violence. Youths, many drunk, roamed streets, smashing windows.

Mexico's coach has pleaded with fans to celebrate peacefully.

Falling foul of Fifa's forcefulness

Jurek Martin on implications of the increase in yellow cards



This is not a trivial question. Apart from the fact that they sound as if they were separated at birth, what do John Harkes and John Starks have in common?

Answer: they are both ignorant of the basic laws of the game which they play. Harkes is the gifted US mid-fielder who, in an act of supreme idiocy, allowed himself to get a yellow card in the US match against Romania, not for kicking someone down to prevent a threat on goal but for refusing to retreat the required 10 yards from a Romanian free kick.

It was his second yellow of the first round, meaning that he must miss the next US match. The fact that he plays in the English premier league is no excuse. Any red-blooded American, playing on the most successful soccer team this country has yet produced, should give his eye-teeth to play in his national colours on July 4, of all weekends.

The fact that the match is expected to be against Brazil is just icing the lily.

Harkes, unrepentant and savagely critical of a pair of team-mates when on and off the field, dared to criticise his foolishness, claimed ignorance of the yellow card law. The fault, in his view, naturally lay with the evil Carpathian, George Hagi, whom, he charged, was "a cheat," and with Fifa, for not disseminating the rules more widely.

If he had watched television or read a newspaper with his ears and eyes even half open, which he could hardly not do over the last two weeks, because the US team and the World Cup have been getting good play, he would have to concede that his defence was ludicrous. Yellow cards, now averaging over four a game, have been one of the stories of the tournament. In any case, Fifa advised all teams of the rules as long ago as last December.

John Starks plays for the New York Knicks who play basketball, a sport one of whose basic laws is that it is invariably a good idea to pass the ball to the team-mate in the best position to put the ball into the basket.

The great Knicks team of a generation ago - some of whose members have gone on to other fame and fortune, even, dubiously, the US senate - was predicated on the principle of finding the "open man."

In last week's championship finale, Starks forgot the basic law. Assuming that the game against the Houston Rockets was winnable only by his own efforts - and it takes some nerve to believe that one man can beat five - he neglected his fellow Knicks and hoisted hapless shot after hapless shot. Houston won by seven points and, to give him the credit that Harkes does not yet deserve, Starks was more or less contrite. But he was also dumb.

Now, the law in all sports can be pretty fungible and all practitioners make a point of stretching it where they can. Leg-before-wicket has its elements of subjectivity. Cricket batsmen and baseball hitters do not hesitate to rub an arm even if they know the ball has hit the bat.

Referees, umpires and judges are not infallible - even those determining synchronised swimming can suffer from mistimed giggles. In the good old days of the cold war, it was assumed that those from the "other" side had been bribed, threatened or were making a political point.

From a managerial or coaching point of view, team psychology, as Jeeves might have put it, can be a factor. Jack Charlton, Ireland's manager, was never about to back down in the face of obscure Fifa officials complaining about his wandering of the touchline in the Ireland-Mexico match, even though



Russia's Valeri Karpin is brought down by Raymond Kalla of Cameroon during Tuesday's game.

it cost him his perch in the Norway game.

Likewise, Earl Weaver, a great baseball manager, would berate umpires and kick dirt all over their pointed black shoes so as to inspire his Baltimore Orioles to fly again.

Soccer has more than its share of sharp practice, which has not been eliminated even by this most tightly policed of tournaments. Most tackles get the dying swan treatment from the tackled; most goalkeepers fall down at the slightest suggestion of halitosis from an attacker; and many goals are appealed for offside even though half the defending team is camped on the goal-line.

But the interesting thing is that sporting authorities, which make the law, are starting to get tougher. Take ice hockey. Here is a sport, beloved by Canadians with no teeth and by lots of eastern Europeans, which was falling into serious disrepute because of its lack of observance of nominal law. Teams employed goons dressed in uniform physically to damage opposition stars in the belief a) that matches could be won this way and b) that the public liked a good punch-up.

A shocking thing happened last year when the North American game came under a new commissioner. In the play-offs, a Washington player reacted typically to a Pittsburgh goal by sharply bringing

down his stick on the scorer's wrist, breaking it (the wrist, not the stick).

Old hockey would have puffed itself up and given the offender 10 minutes in the penalty box. Now hockey suspended him for the best part of half a season, without pay.

This year, the renaissance of the sport has been astounding. There is no way of knowing what thought processes and precedents passed through Fifa's collective mind in laying down the law for this World Cup, beyond the obvious: that it had half an eye on making the game attractive to America.

But, having done what it has done and having seen its referees carry out their mandates with some precision, no player can conceivably claim ignorance of the new rules of the game.

Not all are new - no-one has been sent off yet for over-acting - and some, like the limits on passing back to a goalkeeper, have been in use for some time. The yellow card rules, likewise, were not clothed in legalese or deliberately hidden from the players.

The simple lesson is this: those who know the law can bend it most effectively; those in ignorance can only be caught by it, with heat of the moment no mitigating excuse. Harkes and Starks, in their different ways, need to go to law school. Come to think of it, Harkes and Starks has a nice ring as a law firm.

Saudis shock Belgium to qualify with Holland

Saudi Arabia produced one of the most unexpected results of the opening round of the World Cup finals yesterday when they toppled previously unbeaten Group F favourites Belgium 1-0.

Their winning goal came after only five minutes when Saad Owahran burst from an unmarked position in his own half to carve open the Belgian defence with a spectacular run and emphatic finishing shot.

It was the first goal conceded by Belgium in the tournament and ensured that the Saudis qualified for the second round.

In Orlando, Holland swept through, beating Morocco 2-1. Bryan Roy, who had been on the pitch just 11 minutes, scored the winner in the 78th minute, gratefully snapping up a chance provided by Dennis Bergkamp, who had earlier scored the first Dutch goal.

Argentina seek to avoid Italy

Nothing is likely to stop Argentina reaching the World Cup second round today as top team in Group D. But coach Alfio Basile wants no slip-ups when Argentina meet Bulgaria at the Cotton Bowl, Dallas. The reason? Argentina do not want to play Italy in the second round.

Basile's team must overcome a Bulgarian side scrambling for a third-place qualification spot. The Argentine coach is forced to make one change. Defender Nestor Susini has a knee injury and will be replaced by Hernan Dias.

Second round almost complete

After yesterday's play, 15 teams had booked second-round berths: Romania, Switzerland, the US, Brazil, Sweden, Germany, Spain, Argentina, Mexico, Ireland, Italy, Belgium, Holland and Saudi Arabia.

The last slot will be confirmed today, at the end of first-round action. From the second round, matches are decided by knock-out.

Second round: July 2: Switzerland vs Spain (Washington, 8.30pm); July 2: Germany vs a 3rd-place finisher (Chicago, 9pm); July 2: Argentina vs a 3rd-place finisher (Los Angeles, 8.30pm); July 2: Saudi Arabia vs Sweden (Dallas, 9pm); July 2: Brazil vs a 3rd-place finisher (San Francisco, 8.30pm); July 2: Belgium vs Ireland (Orlando, 8pm); July 2: Group D winners vs a 3rd-place finisher (Boston, 8pm); July 2: Mexico vs Group D runners-up (New York, 8.30pm).

Results

GROUP F: Belgium 0 Saudi Arabia 1; Holland 2 Morocco 1.

Standings

GROUP A: P W O L GD Pts. Romania 3 2 0 1 +5 7; Switzerland 3 1 1 1 +1 4; USA 3 1 1 1 0 4; Colombia 3 1 0 2 -1 3.

GROUP B: P W O L GD Pts. Saudi Arabia 3 2 0 1 +5 7; Sweden 3 1 1 1 0 4; Russia 3 1 0 2 +1 3; Cameroon 3 0 1 2 -8 1.

GROUP C: P W O L GD Pts. Germany 3 2 1 0 +2 7; Spain 3 1 2 0 +2 5; Bulgaria 3 1 1 1 0 4; Bolivia 3 0 1 2 -3 1.

GROUP D: P W O L GD Pts. Argentina 3 2 0 1 +5 6; Nigeria 2 1 0 1 +2 3; Bulgaria 2 1 1 0 +1 3; Czech 2 0 2 0 -2 0.

GROUP E: P W O L GD Pts. Mexico 3 1 1 1 0 4; Ireland 3 1 1 1 0 4; Italy 3 1 1 1 0 4; Norway 3 1 1 1 0 4.

GROUP F: P W O L GD Pts. Holland 3 2 0 1 +1 6; Saudi Arabia 3 2 0 1 +1 6; Belgium 3 2 0 1 +1 6; Morocco 3 0 0 3 -3 0.

Today's games

Argentina vs Bulgaria (Dallas 12.30 am PT BST); Greece vs Nigeria (Boston 12.30 am PT BST).

(New Jersey, 9.30pm). Quarter-final weekend of July 8-10, in Boston, Dallas, New Jersey and San Francisco; semi-final: Wednesday, July 13 (New Jersey and Los Angeles, 10pm); Sunday, July 17 (Los Angeles).

Divine help in the press box

Amid the crush of sweating hacks in the media centre at Giants Stadium, New Jersey, a surreal sight: two nuns seated at a desk, happily watching the Brazil-Sweden game on TV.

Sisters Marie France and Mary Frances normally help run a soup kitchen from a mission in Spanish Harlem, and were not at the stadium to save the lost souls of the press room, though they would help if asked.

The two French nuns are working as official interpreters, mostly with French-speaking supporters and journalists. "We like to help," says Sister Marie.

We're coordinating the schedules for over 25,000 World Cup volunteers.
(And Frank? You were 5 minutes late yesterday.)

EDS

The technology services behind WorldCupUSA94

Former directors of BCCI sue Abu Dhabi

By Richard Waters in New York and Andrew Jack in London

Three former non-executive directors of the collapsed Bank of Credit and Commerce International yesterday launched a legal action in the US against Abu Dhabi, the bank's majority shareholder, seeking damages of \$100m (\$65m).

The suit marks a highly unusual attempt by directors to sue shareholders, and is partly an attempt to respond to the damage they believe has been done to their reputations by the collapse.

The three directors - Mr Alfred Hartmann, Mr Yves Lemaire and Mr Johan van Oenen - have recently been sued in Luxembourg by BCCI's liquidators and in Paris by the liquidators to the bank's French arm.

The action could give the directors access to millions of internal bank documents which recently arrived in the US. Lawyers for the three claim these papers would give far more details of the BCCI fraud than have yet emerged and would reveal the role of

Sheikh Zayed Bin Sultan Al-Nahyan, the Gulf state's ruler, and of other officials.

The US action, filed in a New York state court yesterday, is based largely on published information. It alleges that Sheikh Zayed - with his son, Sheikh Khalifa bin Zayed Al-Nahyan, and other Abu Dhabi officials - knew of the fraud in the spring of 1990, but hid this from the banking regulators and from BCCI's auditors and non-executive directors. BCCI was not closed down until July 1991.

Mr John Mitchell, a lawyer acting for the directors, conceded that the "exercise amounted to a fishing expedition", but said this was allowed in US civil cases to give plaintiffs access to all the evidence they might need.

The directors claimed that the auditors, Pricewaterhouse, had been "manipulated and controlled by the shareholders", and the directors were left uninformed for many months about the investigations into fraud that were taking place. Pricewaterhouse rejected these claims.

Abu Dhabi, yesterday

rejected the charges, many of which had been heard before, it said.

The three directors taking the action are: Mr Alfred Hartmann, a resident of Herrliberg, Switzerland, who joined BCCI's board in 1982, having been general manager of the Union Bank of Switzerland, managing director and deputy chairman of Hoffmann-La Roche, and a director of the Swiss operations of the Royal Bank of Scotland, Bank of New York, Lloyds Bank, Rothschild Bank and Banca del Gottardo.

Mr Yves Lemaire, a US citizen and resident of Paris, who joined BCCI's board in 1978. He was senior vice-president of the Middle-East Area Office for the Bank of America, and then president and chief executive officer of Banque Arabe et Internationale d'Investissement from 1980.

Mr Johan Diderik van Oenen, a Dutch citizen who lives in England and who joined BCCI's board in 1978. He was a senior officer with Bank of America in 1960-73 and became executive vice-president of the Bank of Montreal.



THE NEW ECONOMIC ORDER

debt crisis - school systems have deteriorated.

Latin America on average scores reasonably well in the resources it devotes to education. In 1990, South Korea channelled 3.9 per cent of gross national product to education, Singapore 3.4 per cent and Malaysia 3.3 per cent, according to the United Nations Development Programme. That compares with 4.1 per cent in Venezuela and Mexico, 5.5 per cent in Panama and 4.8 per cent in Brazil.

But the problem is not so much the amount of money spent, but the way it is spent. All over Latin America, teachers are political appointees, many not even meeting minimum standards of literacy. In Argentina, says Mr Juan Llach, economic planning secretary, "the number of people teaching is very small compared with the number of teachers".

Furthermore, while most economists argue that primary level education yields the greatest economic and social benefit, the returns to politicians of

devoting large-scale resources to further education are often higher.

"The average quality of Latin America's primary education is very poor," said Mr Sebastian Edwards, the World Bank's chief Latin America economist, in a report last year. One international comparative study of the reading abilities of nine-year-olds found that Venezuelan students ranked last.

"This unhappy combination" of neglected primary education and heavily subsidised higher education "has had serious regressive distributive effects, reducing the resources available to the poor, leaving illiteracy rampant," he said.

Venezuela's ministry of education is by far the country's largest employer.

Mr Gustavo Márquez, a professor at IESSA, a private university in Caracas, says that the share of the education budget spent on administration and planning rose from just under 30 per cent in 1980 to 43 per cent in 1991.

Rising enrolment has usually not been matched by an increase in resources. Spending per child in Latin America fell by an average 28 per cent in the 1980s, according to the World Bank. With spending on books, equipment and teacher training also falling, many children drop out or retake classes - giving Latin America the highest repetition rates in the world.

Stephen Fidler

Stephen Fidler

Raising Brazil's poorest

Angus Foster finds slow progress in education

The mayor of Aracati, a small town on Brazil's north-east coast, recently took office, then closed a local school because its teacher had opposed his election.

The political use of education is not new in Brazil's poor north-east. But such interference, mixed with government mismanagement and corruption, produces illiteracy and poor learning, and threatens to prolong greatly the region's underdevelopment.

Brazil cut national illiteracy from 61 per cent to 18 per cent in 1950-1990 but, in the north-east, the rate remains at 39 per cent.

The federal government in Brazil is obliged by law to spend at least 18 per cent of its budget on education, while states and municipalities have to spend 25 per cent. So there should be ample funds to improve education nationally.

The problem is less the amount of resources, rather what they are spent on. Too



many governments have used their budgets to recruit "teachers" at election time in return for votes or to award school building contracts to political backers. As a result, too little money is left for what is needed, long-term investment in the quality of teachers and education standards.

The poor quality of the state system is most visible in figures on children having to repeat school years and on truancy. For the north-east in general, less than half the children who start primary school complete the first-year requirements and progress to the second level. There is a further sharp shake-out between the

fourth and fifth level, about age 11, since many rural teachers are unable to teach the more demanding syllabuses. In Maranhão, only 10 per cent of children complete the eight levels of primary school which are meant to be compulsory. Officials from the state's education department say many rural teachers earn less than the equivalent of \$10 (\$3.45) a month, hardly enough to buy basic food for a week. One teacher in three has only completed primary school; some are barely literate.

Faced by such problems, improvements will take many years. But at least two states are attempting reforms and initial indications are encouraging. An education ministry programme to improve management and teaching, which includes \$415m of World Bank money, will also help pressure states to raise standards and reduce corruption.

In Piauí, one of Brazil's poorest states, a five-year programme is under way and has lifted spending on education to 33 per cent of the state budget, well above the legal minimum. The results are mixed so far - the programme only started in 1991. However, in interior areas, pass rates have risen slightly and truancy is down. In Teresina, the state capital, though, pass rates have fallen

because of teachers' strikes against government plans to introduce public examinations for all teaching jobs. In neighbouring Ceará state, rapidly developing a reputation for good - and clean - government, public exams have also been reintroduced. In previous administrations, teachers were appointed through patronage.

Ceará is also, with several other states, trying to decentralise primary school administration to the municipalities, who have closer contact with parents and children. But this will take many years, especially since poorer municipalities cannot afford to increase education spending.

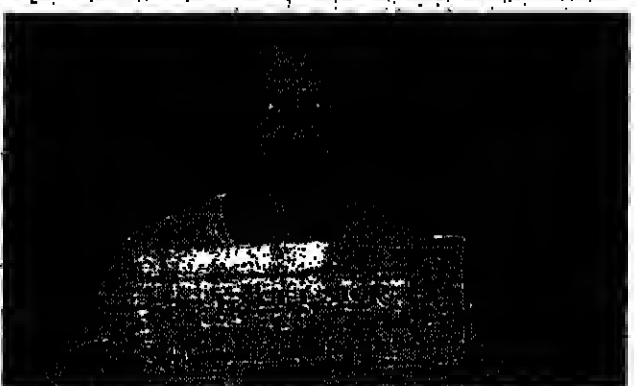
Mexican financier released

By Damian Fraser in Mexico City

The kidnapped Mexican financier Mr Alfredo Harp Helú was released on Tuesday night, after his family had agreed to pay a ransom which his abductors said was less than \$30m.

Mr Harp, president of Banamex-Actival, Mexico's largest financial institution, and one of the country's wealthiest men, was kidnapped on March 14 near his house in the south of Mexico City. His abduction sent Mexico's stock market tumbling.

He is pictured right, in an AP photo, during his captivity and holding a copy of a Mexi-



can newspaper, dated June 19. Several hundred rich Mexican businessmen have been kidnapped in recent years, mostly in the provinces, but none was as prominent as Mr Harp.

In April, Mr Angel Losada, a wealthy retailer whose family controls Grupo Gigante, was kidnapped in Mexico City, and it is believed that he is still

being held captive.

The families of kidnap victims generally do not cooperate with the police, whom many suspect of being involved with the kidnapping gangs. In an effort to combat organised crime, the Mexican government set up a new national security agency in April; the day after Mr Losada was seized.

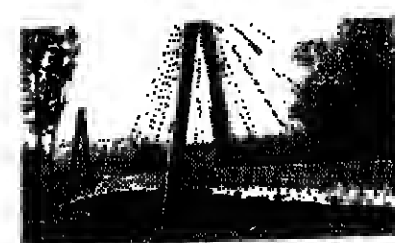
Kevlar, Nomex, Zemdren: Helping move Europe into the 21st century.

Transportation links between countries are improving as European integration comes closer to reality. New air connections, highway systems and high-speed trains are reducing travelling times between cities. Many of these modes of transport are being enhanced by products from DuPont.

For example, often without even knowing it, millions of car drivers throughout Europe enjoy the benefits of DuPont KEVLAR para-aramid fibre. This product is an extremely light, heat-resistant fibre which does not corrode, is extremely strong and is non-magnetic. KEVLAR is being increasingly used for diverse applications in cars; from the reinforcement of asbestos-free clutch, brake linings and cylinder head gaskets to noses and tyres.

Components reinforced with KEVLAR enhance safety and reliability.

KEVLAR is also being used to strengthen V-belts for auxiliary systems such as cooling system pumps, blower fans and hydraulic

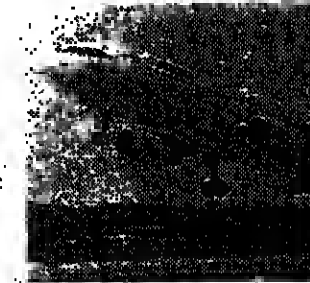


This lightweight bridge uses ropes of carbon-fibre KEVLAR.

pumps, as well as automatic transmissions and industrial gaskets. Here the decisive factors for the use of KEVLAR are its superior flexibility, its heat, friction, tear and oil resistance, as well as its good shape retention.

The problem of grease stains on clothing from car door checks is now a thing of the past thanks to another DuPont development: ZYTEL reinforced with KEVLAR. A completely new door restraining system has been developed with a composite of these two products, which requires no lubrication. It has exceptionally good slip behaviour and is highly abrasion resistant.

KEVLAR has also demonstrated its strength in a completely different field: An innovative bridge in the Scottish town of Abertay is constructed entirely from lightweight materials. The 63-metre long bridge platform is suspended from 17.5 metre high piers by cables of KEVLAR. The DuPont

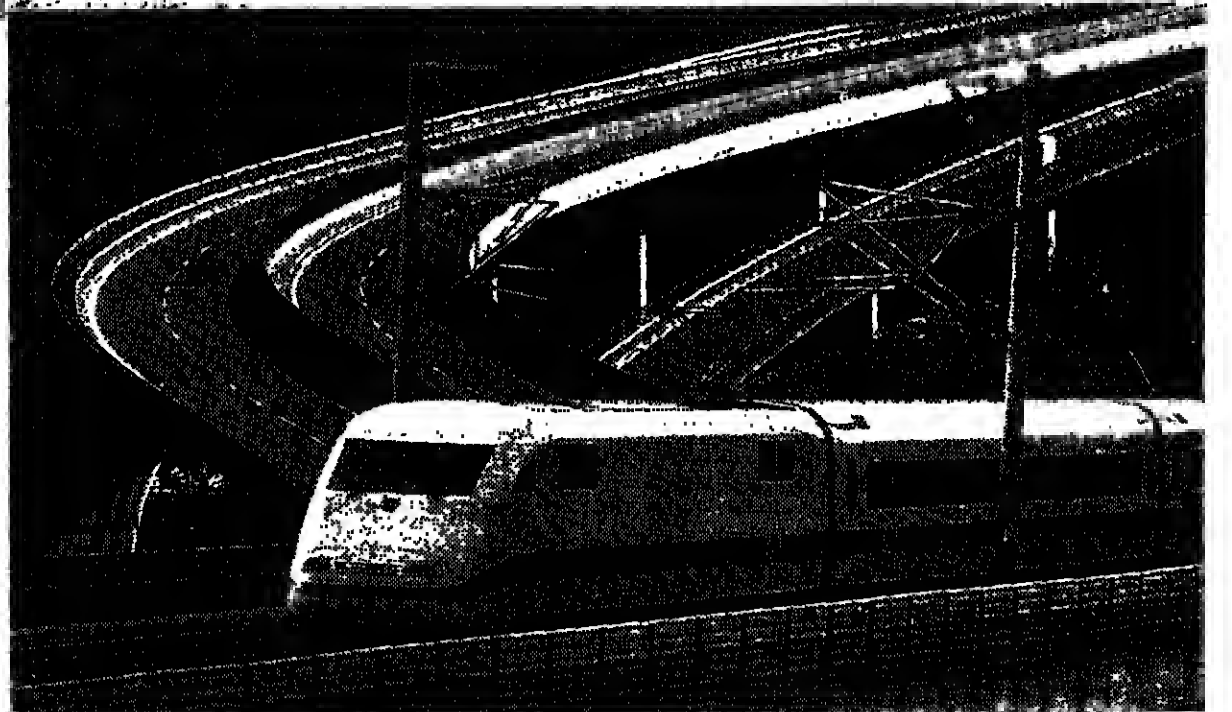


NOMEX contributes to weight reduction and increased stability of the Airbus A320.

aramid fibre was the natural choice as it is five times as strong as steel for equal weight and does not corrode. In its paper form, NOMEX, another aramid fibre from DuPont, is helping to bring pioneering technologies to commercial reality. Take the example of high speed trains. Insulating paper made of NOMEX is an important factor behind the impressive performance of the German ICE and the French TGV trains. Because of its exceptional thermal resistance, NOMEX provides highly effective insulation material for the electrical transformers in these trains, which reach speeds in excess of 250 km/h.

NOMEX makes high-speed trains lighter and more stable.

And because NOMEX is light (only 0.9 g/cc), it has been possible to reduce the weight of the ICE's two transformers by 270 kg each, cutting



the traction unit's total weight by over half a ton. The celebrated designers Pininfarina and Fiat exploited another advantage of NOMEX in the design of the Italian high-speed trains ETR 500 and Pendolino; the fibre's combination of low weight and high strength. Honeycomb structures made from NOMEX paper are very light yet extremely rigid. Similar constructions have already proven their worth in aircraft and marine applications.

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ZEMDRAN formwork liners are a DuPont polypropylene specifically engineered for



The use of ZEMDRAN formwork liners results in smoother, more durable surfaces of concrete structures.

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NEWS: UK

Sinn Féin calls special Ulster conference

By Tim Cooney in Dublin

Sinn Féin, the political wing of the IRA, is to hold a special delegate conference – the first of its kind in 23 years – to finalise its response to the Downing Street declaration, amid growing expectations that the IRA may announce an extended ceasefire during the summer.

The conference will be held "within the next few weeks" and the party's formal and definitive response to the Anglo-Irish declaration will fol-

low immediately after according to a party spokeswoman. The declaration offers a place at the negotiating table to Sinn Féin, if it formally and permanently renounces violence.

Last week, the party published the findings of its Peace Commission, which revealed that almost 40 per cent of 280 written and oral submissions to it believed the party should encourage the IRA to call a unilateral ceasefire. Mr Pat Doherty, the party's vice-president, said at the time that the commission's findings would

influence "how we should proceed in the weeks and months ahead".

The only other occasion when a special conference has been convened – other than its annual conference – was in 1971, which formalised the split between the provisional and official Sinn Féin, and their respective military wings. The "officials" subsequently abandoned military actions, as well as the Sinn Féin title, and entered mainstream politics as a socialist party.

The present Sinn Féin lead-

ership is anxious to avoid any further split, and is moving cautiously to avoid confrontation between moderates and hardliners within its ranks. A temporary ceasefire is thus likely to be seen as the best compromise in order to give a positive response to the Downing Street declaration, but without rejecting it.

In Sinn Féin's view, a temporary ceasefire would shift the political pressure onto the Loyalist paramilitaries to suspend their own military activities. A ceasefire would also be seen to

refocus the political debate onto what it has now defined to be the key areas of the conflict, which it says "must be adequately addressed".

Sinn Féin believes these key areas which have to be addressed in the debate are that the Irish people as a whole have the right to national self-determination; that the exercise of self-determination is a matter for agreement between the people of Ireland; that the unionists cannot have a veto over constitutional change; and that the British

government must join the persuaders. Several of these points are at odds with the Downing Street declaration.

● A senior policeman warned that pirate videos were an important source of funding for terrorists in Northern Ireland. Detective chief superintendent Derek Waites of the Royal Ulster Constabulary Anti-Racketeering Squad told a Looeoo conference that the terrorists who tended to raise around £10.5m a year to fund their activities took £1.5m a year from pirate video sales.

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The Campaign for Racial Equality launched a campaign under the title Uniting Britain - For a Just Society. At the launch were Michael Howard, home secretary, Mr Herman Onseley chairman of the CRE, right, and Sukhdev Sharma, executive director, left.

Lib Dems outline case for Euro re-run

By James Hiltz

The Liberal Democrats, Britain's centrist third party, yesterday outlined some of the evidence they will be bringing before the High Court later this week in order to have the result of the European parliamentary election in Devon and Cornwall overturned.

The party, which failed to win the seat after more than 10,000 people backed a candidate calling himself a "Liberal Democrat," will today submit an electoral petition which will be backed by more than 400 people in the constituency.

The petition was due to be lodged yesterday, but was delayed because of the rail strike. The Liberal Democrats, who lost the seat to the Conservatives by just 700 votes, will use the petition to call for the previous result to be declared void and the election to be run a second time.

Mr Graham Elson, the Lib-

eral Democrats' General Secretary, said yesterday that his party's case had been backed by statements of protest from electors who had been misled.

He said that a first bundle of 269 affidavits had been delivered to his party's offices in Devon and that a further 120 were expected. It is understood that there have been other statements and letters of protest.

The party is bringing the action under the Representation of the People Act 1983. Two judges will decide next month how the case is to be heard later in the year. The petition will name Mr Frank Palmer, the election returning officer, who accepted the nomination of the Liberal Democrat candidate, Mr Richard Huggett.

It will also name, Mr Giles Chichester, the successful Tory candidate, so that he is given the opportunity to present his case.

Major attempts to embrace the Thatcher mantle

Mr John Major heads a cabinet overwhelmingly of the Tory centre-left. He leads a party at Westminster dominated increasingly by the right wing. He was chosen by the right as the only acceptable successor to Baroness Thatcher. Under the tutelage of Mr Chris Patten, now governor of Hong Kong, he immediately chose the centre-left as his more natural political home.

Now, after fighting them over Europe for most of the past three years, he has once again embraced the right. His erstwhile enemies among the Euro-sceptics are confident that the prime minister has at last ended up as one of us. But the message from cabinet hangers is - don't believe a word of it. No wonder Mr Major's party is confused. Where next, asked one senior minister with more than a hint of distaste this week. There's no going back, answered a rightwing colleague.

One or two things are clear. His tilt to the right has left Mr

Major feeling more comfortable than he has for some time.

Waving the Union Jack during the European election campaign elicited plenty of uncustomed plaudits from his own party. Vetoing the candidacy of Mr Jean-Luc Dehaene for the presidency of the European Commission won him the sort of cheers in the House of Commons that he has not received since the immediate aftermath of the 1992 general election victory. Mr Major would not be human if he did not prefer applause to cat-calls.

But the shift pre-dated the European poll. It started with the ill-fated back-to-basics campaign at last autumn's party conference when the Tory faithful were invited to parade their prejudices. The Conservatives need enemies. The trade unions have been tamed and the Communist bloc dismantled. Single mothers, social-security scroungers, criminals and European federalists offer a convenient substitute. The slogan was obliterated

Philip Stephens considers how Britain's prime minister has been wooing the right-wing Euro-sceptics within his party and how his colleagues in a divided government have reacted to his stance

by a spate of disclosures about ministerial adultery. But the benefits to be gained in terms of shoring up his own position did not escape Mr Major. The chattering classes may scoff, but the Tory faithful are not alone in caring about crime, about standards in schools and about the level of their taxes.

The Euro-sceptic mood in 10 Downing Street has its roots in the same tactical manoeuvring. Back to basics saw off the possibility of a leadership challenge last autumn. Threatening and then using the British veto in Europe could do the same this year. The Tory right has after all proved itself consistently a much more ruthless enemy than the centre-left.

There is no need to look further than the cabinet to see the

consequences of the shift. The week began with Mr Michael Portillo capitalising on the reaction to the Corfu veto by setting out his minimalist vision of Europe's future. Mr Major, whose dislike of the chief secretary is one of Whitehall's worst-kept secrets, publicly praised Mr Portillo for delivering an excellent speech.

Mr Clarke decided to redress the balance with a typically unabashed defence of his pro-Europeanism. The message was unequivocal. The sceptics may have put their tanks on Mr Major's lawn but they had better keep them off the chancellor's patch. Mr Major's aides just about managed to keep a straight face as they insisted the prime minister was fully in accord with Mr Clarke as well as with Mr Portillo. The sceptics, predictably, fumed.

The political initiative remains for now with the right. As long as his future is under threat Mr Major will feel more comfortable leading the party from the right than rejoining the ranks of the centre-left. Other, more fundamental, forces are pushing him in the same direction.

The prospect of a Blair-led Labour party occupying more of the pro-European political centre ground will raise the pressure on Mr Major to give more definition to his politics. He has failed to cast a centrist alternative to Thatcherism. His party's centre of gravity has shifted back towards the right. Re-inventing the Tories as the party of nationalism is an attractive option.

Mr Douglas Hurd, as anxious as the prime minister to prevent the party from fracturing

along its European fault-line, will offer some bricks to build the intellectual foundations for the new approach. He invented the multi-speed, multi-track Europe which played so well with the Tory troops in the elections for the Strasbourg assembly. We can expect now some more elegant rhetoric to explain how a strong commitment to British nationhood and to Europe can henceforth sit comfortably side by side.

It is not enough however, for Mr Hurd to stand between Mr Clarke and Mr Portillo or between Mr Major and the Tory backbenches. The prime minister is enjoying his sojourn on the Euro-sceptic right of the party. But his party and his cabinet remain divided. It is too late now for Mr Major to claim Lady Thatcher's mantle.

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McDonald's accused of censorship

The McDonald's fast food chain was yesterday accused of using the libel laws to censor and silence its critics.

Mr Dave Morris and Ms Helen Steel, who have accused McDonald's of poisoning its customers, exploiting third world countries and employing cheap labour, told the High Court in London that the world's biggest food service organisation threw writs at anyone who dared criticise it - no matter how small.

McDonald's has sued the pair for libel over a "malicious" leaflet. The company's QC, Mr Richard Hampton, has told the court it was "completely false in every material respect".

Mr Morris, 39, and Ms Steel, 38, members of the London Greenpeace group - which has no connection with Greenpeace International - claim their allegations are justified. The pair, who are unwaged and conducting their own defence because they cannot afford lawyers, yesterday told Mr Justice Bell it was an "outrage" that the company was prepared to go to such lengths.

Mr Hampton said it was completely untrue that McDonald's was involved in "wrecking the planet" by destroying rain forests to provide packaging materials and create grazing for beef cattle. The company had not seduced children into eating poisonous food and was not responsible for the barbaric deaths of animals to provide meat. The case continues.

Euro-sceptics enraged by Clarke speech

By Philip Stephens and David Owen

A powerful exposition of his party's pro-European credentials from Mr Kenneth Clarke, the Chancellor of the exchequer, yesterday enraged Tory Euro-sceptics.

Mr Clarke's re-affirmation of a personal commitment to a single European currency and to further deepening of the European Union came as Mr Douglas Hurd, foreign secretary, sought to head off a new outbreak of party infighting.

Speaking in Bonn, the Chancellor dismissed suggestions that the recent dispute over the presidency of the Commission marked a fundamental shift in British policy. He called for Germany's Christian Democrats to join the Conservatives in promoting a common agenda for Europe's future.

Taking a sideswipe at his own party's sceptics, he evoked the phrase employed three years ago by Mr John Major to stress: "We Conservatives intend to be at the heart of Europe".

Mr Clarke's comments about a single currency kept just within the agreed government line that any decision must be taken by the British parliament. But the Chancellor made no secret of his own view that Britain must be in a position to

join EMU if and when the occasion arises. He remarked that the government had twice signed up to the objective - when it joined the then EC in 1972 and when it signed the Single European Act in 1976.

He called on Britain and Germany to build on the intergovernmental dimension in the Maastricht Treaty to strengthen co-operation on foreign and defence policy. London and Bonn should act in concert also to promote further enlargement of the Union and to push an internal agenda favouring deregulation and liberalisation.

Despite approval for the speech from Downing Street, leading Tory Euro-sceptics responded with outrage. Accusing the Chancellor of undermining the prime minister, the sceptics said the speech had effectively ended Mr Clarke's hopes of succeeding Mr Major in 10 Downing Street.

For his part Mr Hurd sought to assure a meeting of pro-European Tories in the Postive Europe group, that the government's decision to use its veto at the Cardiff summit did not represent a lurch into the arms of the Eurosceptics.

Mr Hurd will use a speech later this week to develop the theme of a multi-speed Europe around which he said the vast bulk of the Conservative party could unite.

Britain in brief



UK growth to slow, predicts LBS

Economic growth will slow and inflation will rise in 1995, according to the latest forecast by the London Business School.

The LBS forecast, prepared by one current member of the Treasury's panel of independent forecasters, Mr David Currie and one former member, Mr Andrew Sentance, is rather less sanguine than the Treasury forecast.

Whereas the Treasury was predicting 2.75 per cent gross domestic product growth in 1994 and 1995, LBS forecasts that growth will be 2.5 per cent this year, slowing next year to 2.3 per cent. Tax increases will slow the recovery and investment and exports will take up the running from consumer demand.

LBS predicts that interest rates will have to climb to combat an increase in underlying inflation, which it expects to pick up to 3.5 per cent in the fourth quarter of 1995 (the Treasury forecast is 2.75 per cent). Base rates will start to rise early next year and peak at 7.5 per cent in early 1996, according to LBS, before falling ahead of the general election.

In an essay accompanying the forecast, Mr Currie and Mr Sentance argue that one way in which Chancellor of the Exchequer could avoid another "boom and bust" cycle in the UK is to give full responsibility for monetary policy to the Bank of England.

Meanwhile, the forecasting group of the Society of Business Economists also predicts that underlying inflation will rise in 1995 - to 3.6 per cent, near the top of the government's 1-4 per cent target range. Headline inflation, which includes mortgage interest payments, will hit 4.3 per cent next year, according to the society. On economic growth, the society predicts that GDP will rise by 2.8 per cent this year and by 2.5 per cent in 1995.

Hot car man walks free

An engineer who electrified his high performance car to deter thieves walked free from the Old Bailey yesterday. A jury took less than an hour to clear 48-year-old Roderic Mitchell of assault and causing a noxious thing (electricity) to be administered.

The trial, described by the prosecution as a test case, arose after a security guard at the Kensington Hilton in

central London received a slight shock when he examined the £17,000 white Ford Sierra Cosworth.

Mr Mitchell, who wired the car with cattle fencing after thieves repeatedly tried to steal it, said he would not use the device again but was going to get rid of the car as soon as possible and get a diesel van instead.

His only intention was to protect his property, and as a qualified electrical engineer he made absolutely sure the car was safe and would not cause serious injury.

Mr Mitchell and his wife Lynda said they sought advice from police but were not told the device might be illegal and lead to a prosecution. His solicitor said the verdicts did not give the green light to other motorists to wire up their cars.

US bank gets nuclear role

Nuclear Electric, state-owned electricity generator, has appointed Morgan Stanley, US investment bank, to advise on privatisation. It says the bank will be looking at different ways of restructuring assets and liabilities as well as acting as a bridgehead with the international financial community.

Samsung to invest £11m

Korean-owned Samsung Electronics announced a £11m expansion at its Billingham, Teesside colour television manufacturing plant. The investment, towards which the Department of Trade and Industry is providing £2m in Regional Selective Assistance grant, is expected to create 240 jobs over the next three years. The plant, currently employing 300, is Samsung's only western European television factory. The company, Korea's largest manufacturer, at present makes one eighth of the world's television screens.

Ten 'ghost towns' threat

Ten town centres could become "ghost towns" in the next decade unless action was taken to curb development of out-of-town shopping centres, the Commons environment committee heard. Mr Martin Chase, director of the Association of Town Centre Management, told the committee - which is conducting an inquiry into shopping centres and their future - that the problem was most acute in larger towns and cities whose centres were given over largely to retail activity. If more attractive regional shopping centres appeared nearby, these could draw away substantial numbers of shoppers, he said. The association cited Gateshead, in north-east

England, Dudley in the West Midlands, Sheffield in South Yorkshire, and towns near the Lakeside centre in Essex as examples of those which had already been severely affected by out-of-town developments. "One retailer estimates that 95 per cent of the business that has been generated in Lakeside has come from business lost in other stores within the Lakeside catchment," it said.

Equitable Life beats new code

Equitable Life, one of the UK's largest mutual life offices, is to offer customers fuller information about financial products, including charges and costs, six months before the new regulatory regime becomes compulsory.

Despite scepticism from some other life insurers, it believes it can gain a competitive advantage by being the first to introduce greater disclosure into its sales process, particularly as its costs are low as a proportion of its premium income. Its new system will come into effect from tomorrow.

The move is in contrast to more general industry reluctance or outright opposition towards regulatory efforts to ensure that sales agents volunteer better information to customers.

IT specialists criticised

Information Technology consultants do not provide good value for money, according to a survey of companies and public-sector organisations. The survey found that clients are unhappy about the effectiveness of completed consultancy projects and the understanding which IT consultants have of their business.

UK organisations spend an estimated £750m a year on IT consultancy, according to the survey. One-third of clients surveyed spend more than £100,000 a year on IT consultancy, with budgets running as high as £10m.

Times aims for 750,000

Circulation of The Times newspaper at a price of 20p could rise to 750,000, double the sales a year ago, according to senior News International executives. Since the second price cut last week in response to Mr Conrad Black's decision to cut the price of the Daily Telegraph from 40p to 30p The Times has been selling at around the 600,000 mark and close to 680,000 on Saturday. "More people are trying the paper and more people are liking it and staying so therefore 750,000 is a reasonable target," said Mr Peter Stothard, the editor of The Times.

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Rail strike may escalate as government faces questions

By Robert Taylor and Kevin Brown

Leaders of the RMT transport union will meet on Monday to decide whether to escalate the dispute involving railway signal staff, who yesterday staged their third one-day strike.

The following day, Mr Jimmy Knapp, the RMT general secretary, and Mr Bob Horton, the Railtrack chairman, will give evidence to the Commons employment committee on the dispute.

Mr John MacGregor, the transport secretary, faces a potentially embarrassing grilling by the cross-party committee the following week on the government's intervention in the rail pay negotiations.

The RMT executive meets against a background of continuing deadlock after the collapse of peace talks earlier this week.

Option under serious consideration is to escalate stoppages from 24 hours weekly to 48 hours weekly. A further 24 hour strike is

already planned for next Wednesday.

The three 24 hour stoppages have cost Railtrack, the state-owned infrastructure company and network operator, an estimated £50m in lost revenue.

Mr Jimmy Knapp, the union's general secretary told delegates at the RMT's annual conference in Liverpool yesterday the signalling grades remained solidly behind the strike action.

"I regret the ongoing inconvenience to the public and I want to get my members back to work with a just settlement," he said. "But I don't see where an easy answer is going to come from at the moment."

In a letter sent to the signalling staff last night he said they had "already given more than enough" in efficiency improvements. "Railtrack must now pay the bill owed for past and present productivity."

In a statement the RMT said Railtrack's latest package for the signalling staff tabled at Aca, the conciliation service had taken the negotiations

"several steps backwards." Three weeks ago, the union said, the company had offered 5.7 per cent on basic rates - now it was offering conditional average rises of 3.5 per cent in actual earnings.

The RMT said Railtrack was now demanding commitment from the union on future productivity and restructuring that "allowed no scope for negotiation on principles and only restricted negotiation on detail".

Mr Knapp told delegates he viewed "with growing alarm" the use of managers to operate the signalling system during the one day strikes. "We are not operating a safe railway today", he said.

Railtrack denied last night that safety was at risk on the railways.

"It said all staff operating signalling boxes during the strikes were either non-union signalling staff or qualified supervisors and managers and that staffing arrangements were in line with safety criteria which had been laid down.

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Life after linseed

Waste straw left over from farmers' linseed harvest could be put to use making biodegradable matting for soaking up oil spills. This was one finding from a project to investigate industrial uses for fibre crops.

The £1.5m Fibrelin project, co-ordinated by the Science Research Institute in Bedford, is looking at new ways of using the straw which is normally discarded after the harvest of the bright blue linseed crop. The crop is grown for its oilseed which is used in animal feed and industrial processes.

"It will add significant value for farmers by creating a new market for another part of the crop," says David Bruce, project co-ordinator. The government is partly funding the three-year project to find non-food applications for farm crops. Demand for natural fibres from the fashion industry is currently high, but Bruce is looking at more stable industrial markets for their long-term potential. The linseed fibre can be made into non-woven textiles for use in matting such as carpet underlay. Biodegradable mats can also be used to stop erosion on newly-disturbed soil, eventually decaying and leaving no residue.

It is the absorbency of the matting that makes it suitable for soaking up oil spills. Bruce says the National Rivers Authority is looking at the potential of fibre mats for use in pollution control.

A decontaminator machine which separates and combs out the fibres from the linseed straw will enable commercial production of the mats. The machine, to be in use by September, also separates the central woody core which can then be used to make boarding.

The Fibrelin project comprises five industrial companies and five research institutes. It is also investigating the potential of other crops such as nettles.

Deborah Hargreaves



No other pharmaceutical sector is so dependent on two such ancient families of drugs as the \$50m-a-year (\$3.2bn) pain-killer market. For severe pain doctors can do no better than stupefy patients with chemicals derived from the opium poppy, notably morphine and diamorphine (the pharmaceutical name for heroin).

For mild pain the standard is still aspirin, based on a simple compound found in willow bark and developed industrially in 19th-century Germany. It is the model for a large family known as NSAIDs (non-steroidal anti-inflammatory drugs) which combine analgesia - the medical term for pain relief - with a tendency to reduce inflammation. The only radically new drug in the sector is sumatriptan (trade name Imigran) launched by Glaxo of the UK in 1991 to relieve migraine headaches. It works by reducing the swelling of blood vessels in the head, which is a primary cause of migraine.

Sumatriptan is on its way to becoming a blockbuster, with analysts predicting sales of more than \$1bn a year in the late 1990s, because migraines are quite common, affecting 10 per cent of young adults, and the drug commands a high patent-protected price (£7 per tablet or £17 per injection in the UK).

But sumatriptan is designed only to treat one specific cause of pain. There is no immediate prospect of such innovative drugs being introduced for other important causes of pain or for general analgesia.

Looking further ahead, scientists are much more optimistic, as they make progress in understanding exactly how people feel pain. Once the biological mechanisms are understood, pharmaceutical researchers can design drugs to block pain.

"This is an extremely lively time in pain research," says Clifford Woolf, professor of neurobiology at University College London. "The research could lead to major new pain therapies, after a long period in the doldrums when we essentially relied on aspirin-type drugs, morphine and local anaesthetics."

Pain evolved as the brain's warning signal to the body. It may be a warning to get out of harm's way or to protect a limb or organ that is suffering from injury, disease or over-excitation. There are pain receptors throughout the body, which fire signals via the nervous system to the brain where they are translated to feelings of pain at the appropriate site.

In principle, therefore, pain-killers can either act peripherally at the site of the painful stimulus or

Pain-killers are improving but the search is slow, says Clive Cookson in a series on drug discoveries

Shooting for new heights

Top 10 pain-killer companies

Ranked by 1993 turnover

COMPANY	1993 SALES (\$M)	1993 RANK	1992 SALES (\$M)	1992 RANK
Glaxo (UK)	210	1	198	1
Schering (US)	180	2	175	2
American Home Products (US)	175	3	170	3
Sandoz (Switzerland)	165	4	160	4
Sandoz (US)	155	5	150	5
Hoechst (Germany)	145	6	140	6
Biochem (UK)	135	7	130	7
Upjohn (US)	125	8	120	8
Boehringer (Germany)	115	9	110	9
Upjohn (UK)	105	10	100	10

Source: Dataquest

centrally on the brain and central nervous system. In practice, researchers are only just beginning to disentangle the central and peripheral effects. The conventional idea that morphine and opiates act centrally, while aspirin and NSAIDs act peripherally, turns out to be an oversimplification.

"One of the most important developments recently is the realisation that all clinical pain has a large central component - and that is changing the whole pharmacological approach to the management of pain," Woolf says.

The key phenomenon, discovered at UCL and other universities, is called "central sensitisation". Nerve cells in the spinal cord become

unusually sensitive in response to painful tissue damage; they then react in an exaggerated way to ordinary sensations of touch and pressure, which may produce further pain over a long period. In other words, far from getting used to pain, our nervous system becomes more sensitive to it.

This discovery has implications for the use of existing pain-killers. In particular, it suggests that "pre-emptive analgesia" is sensible if the doctor knows in advance that the patient is about to undergo a painful experience such as surgery. Clinical evidence supports this strategy: patients given morphine before an operation suffered less post-operative pain than those

receiving the same dose immediately afterwards, even though both groups were anaesthetised during the operation itself. Apparently pre-operative morphine reduced the sensitisation.

Two neurotransmitter (chemical messenger) systems seem to be involved in the sensitisation effect. Both are potential targets for new drugs. In one system, glutamate transmitters act on the NMDA receptor. Chemicals that block the NMDA receptor would be powerful pain-killers but would probably have side-effects, since NMDA performs many other roles in the brain.

The other system, in which a transmitter called Substance P acts on the tachykinin receptor, is a more active field for pharmaceutical research. Glaxo, Pfizer, Merck, Rhône-Poulenc Rorer and other companies are working on it. If they succeed in developing drugs to prevent sensitisation, patients will retain normal feelings while avoiding severe pain.

At the same time, pharmaceutical researchers are working to improve the performance of NSAIDs. As Sir John Vane, the British pharmacologist, showed in 1971, aspirin-like drugs work by inhibiting the production of prostaglandins, hormones which make nerve endings sensitive to painful sensations.

Recent experiments have shown that an enzyme called cyclo-oxygenase plays a key role in this interaction. It comes in two forms, Cox-1 and Cox-2, which have different effects on prostaglandin synthesis. Existing NSAIDs act on both forms. But their action on Cox-1 produces the side-effects for which NSAIDs are known, such as bleeding and stomach ulcers, while action on Cox-2 causes the desired analgesia and anti-inflammatory effects.

Many drug companies are now using this information in the search for more selective NSAIDs that act only on Cox-2. Success would be an important advance because, although the risk of serious side-effects for any individual patient is low (one in 10,000 prescriptions), millions of NSAIDs are prescribed every year and the total number of

complications is high. Michael Langman and colleagues at Queen Elizabeth Hospital, Birmingham, estimate that in the UK alone 2,000 people are admitted to hospital every year as a direct result of NSAID side-effects.

While the research goes on behind the scenes, the most visible activity in the pain-killer market is the growing range of drugs available without a prescription. In the UK, for example, Napp Laboratories recently launched Paramol, an over-the-counter analgesic containing dihydrocodeine, a mild opiate previously available only on prescription. It was the first pain-killing ingredient approved for OTC sale in the UK since ibuprofen in the 1980s.

An event of greater significance for the world pharmaceutical industry was this month's launch in the US of Aleve, a new OTC pain-killer, by Procter & Gamble, the consumer goods giant, in a joint venture with Syntex, the leading analgesic manufacturer. (Syntex was taken over last month by Roche of Switzerland for \$5.5bn.)

Aleve is based on naproxen, Syntex's best-selling NSAID, whose patent expired in December. According to Linc Bynum, who is responsible for the company's clinical research on pain-killers, Syntex carried out four years of trials, involving several thousand patients, to pave the way for Aleve. The analgesic effects were compared extensively with ibuprofen and paracetamol (known as acetaminophen in the US) in people whose wisdom teeth had just been extracted.

All the data had failed to persuade the US Food and Drug Administration advisory committee last year that Aleve should be given an OTC licence, but in January the full FDA approved the product after Syntex agreed to reduce recommended doses and add warnings on the label for children and the elderly.

One feature of Aleve that worried the FDA committee was the fact that it remains active in the body for longer than existing OTC pain-killers. They believed this could lead people to take excessive doses by accident. But Aleve's long life - pain relief lasting eight to 12 hours - will give it a marketing advantage over rivals that need to be taken more frequently.

The series continues next month with a look at treatments for stroke.

Articles over the last six months have looked at pharmaceutical advances in the following areas:

- Blood products 27 May
- Multiple sclerosis 28 April
- Seizures 31 March
- Prostate 25 February
- Wound healing 21 January
- Obesity 23 December

Pill caps get smart

If people with epilepsy or severe high blood pressure forget to take their medicine they can become very ill and land in hospital. Some people with tuberculosis have developed new strains of the virus resistant to all known antibiotics, simply because they forgot to take their pills.

Non-compliance, medical jargon for failing to follow doctors' prescriptions, is a common problem. Researchers have estimated that some 10 per cent of hospital admissions among the elderly are related to this failure. According to some US surveys, non-compliance adds billions of dollars each year to hospitalisation costs.

A small company called Aprex in California's Silicon Valley has come up with a novel approach to the problem - a computer chip in the cap of a bottle that records each time the bottle is opened. The cap looks like the face of a digital watch, showing the time and date and telling patients how long it has been since they last opened the bottle. In some models an alarm will ring when it is time for a pill to be taken.

Data from the smart-bottle technology, dubbed Medication Management System or Mems, can be transferred to doctors' computers. "This technology offers doctors another diagnostic tool," says Janice Wohlschlag, who heads Aprex. "When patients aren't getting better, doctors can assess whether that is due to non-compliance."

Some 60 pharmaceutical companies worldwide have used Mems in clinical trials of new medicines, to see if patients followed drug regimens. Data is fed through the Mems system to the drug companies.

The companies are being pressed to show that their pills are cost-effective. John Drupart, a co-founder of Aprex, believes that smart bottles may be just what they need to show that taking medicines on time can save money.

Marjorie Shaffer

PARTICIPATION IN THE BIDDING PROCESS

Government of the Republic of Trinidad and Tobago (GORTT)

The Ministry of Public Utilities

Selection of a Private Operator to Manage Water Supply and Sewerage Services in Trinidad and Tobago.

INVITATION TO PREQUALIFY

- (1) The GORTT has begun a process of transformation of the water supply and sewerage sector with the intention of transferring to a private operator the responsibility for the provision of the water and sewerage services, while reserving for the State the regulatory and strategic planning functions.
- (2) Brief statistics of the system to be operated are as follows:

Population (Trinidad and Tobago)	1,260,181 (1993)
Water Production Sources	735,088 m ³ /day (1993)
	surface water 71%
	groundwater 29%
Service Coverage	93% of population
Water	30% of population
Sewerage	
Total length of existing mains	2,700 km.

- (3) The involvement of a private operator is to be implemented under a two-stage private sector participation scheme as set out below:

Stage 1 (Interim period)

A private Operator is to be contracted through a bidding process for the management of water supply and sewerage services.

Stage 2 (Long term concession)

A concessionaire, responsible for financing and implementing a long term investment programme of not less than US\$300 million, will be contracted at the end of the interim period. It is the intention to give the Stage 1 Operator a preference right to Stage 2 concession.

- (4) The intention of the GORTT is to prequalify not more than six (6) bidders. Parameters to be taken into account to establish a shortlist will be, inter alia, the international experience in similar or larger sized transactions, the financial strength and the availability of human resources to conduct the prebid assessment of the prospective contract.
- (5) Shortlisted companies will receive a Business Prospectus outlining the main terms and conditions of the transaction prior to formal issue of the Bid Documents.
- (6) Companies and/or consortia interested in participating in the bidding process are invited to lodge an expression of interest no later than 12th July, 1994, with the Ministry of Public Utilities (Attention: Mr. Valence Petino, Project Team Leader, 16-18 Sackville Street, Port-of-Spain, Trinidad and Tobago Telephone No. (809)624-9917; Fax No. (809)625-7003). Only companies which have submitted expressions of interest will be eligible to bid.
- (7) This advertisement is placed by Banque Paribas - Halcrow on behalf of the GORTT.

LEGAL NOTICES

Notice of Appointment of Liquidator
Voluntary Winding Up
(Members or Creditors)
Pursuant to Section 189
of the Insolvency Act 1986
MIDNIGHT-WHITEHEADS LIMITED
Company No. 2283823. Name of Company: Midnight-Whiteheads Limited. Previous name of company: Whiteheads Limited. Nature of business: Financial Services. Type of liquidation: Members. Address of registered office: 20 St Andrew Street, London EC4A 3AY. Liquidators name and address: Timothy Richard Harris, 20 St Andrew Street, London EC4A 3AY. Office holder number: 2129. Date of appointment: 30 June 1994. By whom appointed: Members. Date 21 June 1994

ADVERTISEMENT TO CREDITORS TO SUBMIT CLAIMS
THE INSOLVENCY ACT 1986
MIDNIGHT-WHITEHEADS LIMITED
(In Members Voluntary Liquidation)
NOTICE IS HEREBY GIVEN that the creditors of the above named company are required to submit their claims to the liquidator on or before the 31st day of July 1994 and to provide their names and addresses and the particulars of their debts or claims if any, to Timothy Richard Harris of COOPERS & LYSOND, 20 St Andrew Street, London EC4A 3AY, the liquidator of the said company, so that details thereof may be included from the benefit of any distributions made before such debts are proved.
DATED this 21st day of June 1994
Timothy Richard Harris
Liquidator
This notice is issued: all known creditors have been paid or provided for in full.

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PEOPLE

New broom sweeps through Macdonald Martin Distilleries

Geoffrey Maddrell, aged 57, chairman of ProShare, succeeded David Macdonald as chairman of Macdonald Martin Distilleries yesterday. At the same time, Macdonald Martin - best known for Glenmorangie single malt whisky - announced that Neil McKerrrow, the group's 49-year-old managing director, had resigned from the board. McKerrrow, whose resignation was a surprise, joined the group in 1978 as sales and marketing director and took over as managing director in 1987. He is credited with the building of the Glenmorangie brand. The new chairman paid tribute to McKerrrow for developing "a sound platform for the strategic development of the company in the UK and international markets". However, Maddrell said he had decided that the company now needed "a different approach" and added that he felt "it was the right time to make a change". He said the parting was amicable. McKerrrow was employed on a three-year contract and Macdonald acknowledged yesterday that there will be some form of compensation payment but that this was now "the subject of negotiation". Maddrell is a former chief

executive of the Tootal textiles group which was taken over by Coats Viyella in 1991 and joined the Macdonald Martin board as an independent director in January.

One of his first tasks as chairman will be to establish the next phase of development for Macdonald Martin and appoint a new managing director - a process he hopes to complete over the next few months.

Macdonald, who remains on the board as a non-executive director, retired as chairman after reaching 60 and having served the company for 43 years.

Non-execs

■ **Frans Humer**, chief operating director of Glaxo Holdings, at CADBURY SCIENCE PARK.
■ **Dennis Cassidy**, chairman of The Boddington Group, Ferguson International Holdings, The Oliver Group and The Saxon Hawk Group, at COMPASS-GROUP.
■ **Gary Allen**, md and chief executive of IML at The LONDON STOCK EXCHANGE.
■ **Robert Slater**, corporate finance director of Dixon Group, at RJB MINING.
■ **Patrick Hammond-Turner** has resigned from STYLO.

■ **Jean-Pierre Cuny** (right) is appointed chief executive of BFB Industries as from August 1. Deputy group chief executive and chairman of the Corporate Division since December last year, Cuny, a French citizen aged 54, has been with the group since 1977 and became chairman and md of Placoplatre, the main operating company in France in 1988. He is currently president of Europaypan and a former president of the French association of building materials producers (AIMCO). He succeeds Alan Turner who will continue as chairman.



Global task for NatWest's Jaskel

Martin Jaskel, 48, a former gills salesman, has been given the job of welding National Westminster Bank's various trade finance operations into a single global business.

Jaskel, who joined NatWest in 1990 after a career with various City stockbrokers, has been appointed to the new post of managing director, global trade and banking services. He will be responsible for co-ordinating the development of the international trade activities of the bank's four main operations - NatWest Markets, UK branch business, NatWest Bancorp and international - and will have a staff of around 1,800. He will report to Roger Byatt, deputy chief executive of NatWest Markets.

Jaskel's new post is a result of a three-month project he carried out for Derek Wallens,



needs, and a banking institutions group, responsible for marketing high value-added products.

Jaskel is not being replaced as director, global marketing in NatWest Treasury, and his responsibilities will be taken on by the three regional directors.

■ **Michael Kershaw**, 42, head of project finance at British Telecommunications, has joined Samuel Montagu to head its new project advisory and finance unit. The new unit, part of Montagu's specialised financing division, will concentrate on advising and arranging finance for projects in the UK and continental Europe. Kershaw's background is in the utilities and construction industries. Before joining BT, he worked for Balfour Beatty and Hawker Siddeley.

Bodies politic

Sir Martin Rees of Cambridge University is to become the 15th ASTRONOMER ROYAL. The Queen has appointed him to succeed Arnold Wolfendale of Durham University next January to a post created by Charles II in 1675.

The Astronomer Royal lost his responsibilities in 1972, when the position was detached from the directorship of the Royal Greenwich Observatory. Now it is purely honorary, carrying no stipend and no duties beyond a general obligation to act as an ambassador for astronomy.

Rees, 52, is a distinguished cosmologist who already devotes a lot of energy to popularising the subject. "The Astronomer Royal is now rather like the Poet Laureate," he says. "There is no analogous post for the other sciences - no Chemist Royal or Master of the Queen's Physics - so one should take every opportunity to speak up not only for astronomy but for science as a whole."

Rees will have plenty of opportunity to do that next year, when he will also be President of the British Association for the Advancement of Science.

Wolfendale, 67, has spoken out not only for astronomy but also for scientific Christianity during his three years in the post. He made a notable contribution to BBC Television's Songs of Praise broadcast from Durham Cathedral last November, using the building's great rose window as an analogy for the history of the universe after the Big Bang.

■ **Stephen Cooper**, md of Wrekin Pneumatics, has been elected chairman of the BRITISH FLUID POWER DISTRIBUTORS ASSOCIATION.

■ **Michael Osborne**, formerly an economist at the Bahrain Institute of Banking and Finance, has been appointed director of education at the ASSOCIATION CAMBISTE INTERNATIONAL, the international foreign exchange dealers' association.

■ **Peter Hughes**, chairman and md of Steelfounders and Engineers, has been elected UK president of the Institute of British Foundrymen.

■ **Tony Allen**, former chief executive of the Royal County of Berkshire, has been appointed chief executive of the NATIONAL HOUSE-BUILDING COUNCIL.

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nology, that, beginning today, makes the “Cirio” Group a world-wide industrial and financial reality that Italians can be proud of.

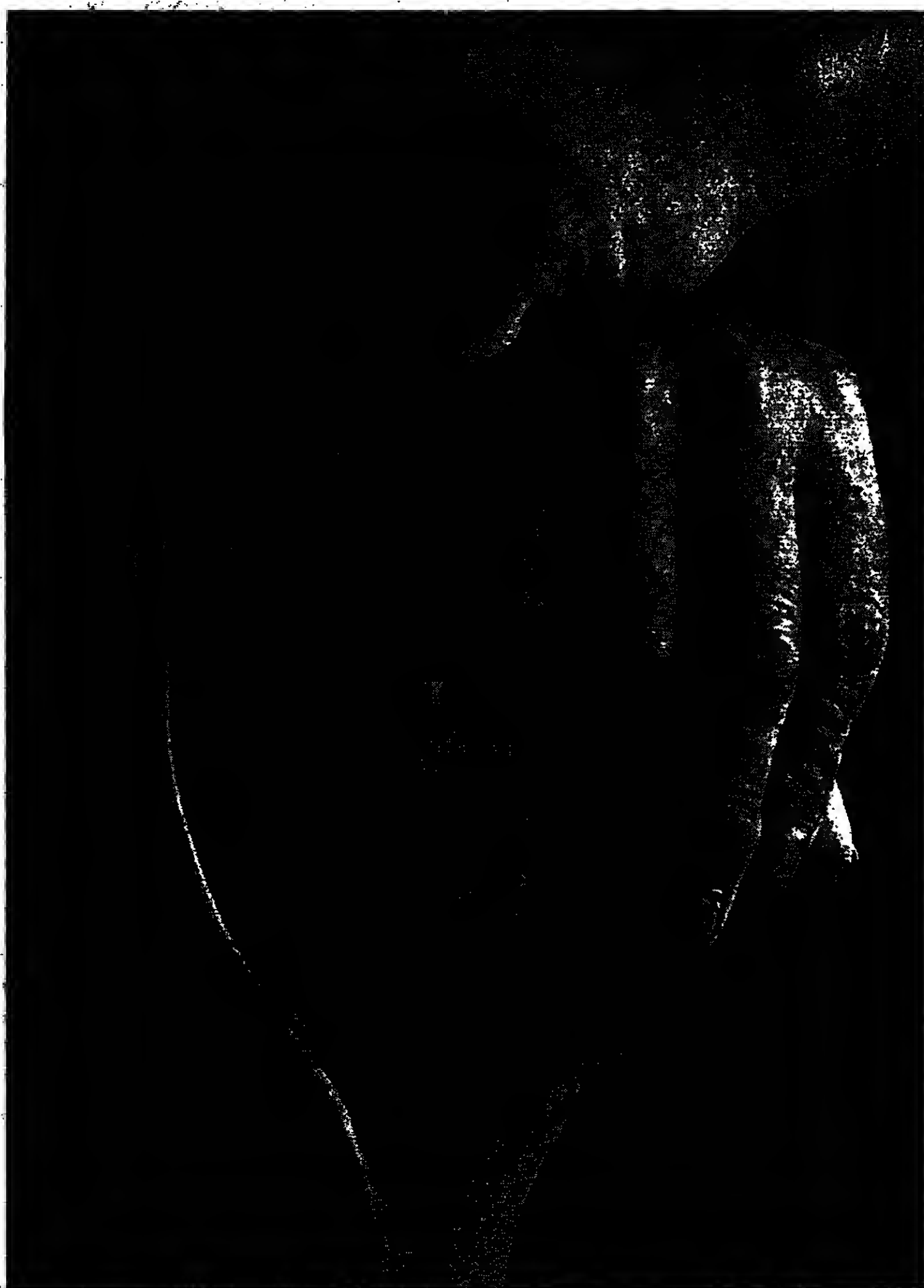
And it's impossible not to be proud of “Mr. Cirio” who, so many years ago had the inspiration to protect high quality tomatoes in a practical tin.

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The Cirio Group brands are: Ala, Berna, Cirio, De Rica, Matese, Optimus, Polenghi, Solac, Stella, Torre in Pietra.

MANAGEMENT: MARKETING AND ADVERTISING

The craze for football has spawned a huge consumer market, writes Emiko Terazono

Soccer scores in Japan

Yukari Akasaka, a 25-year-old housewife living in Shizuoka, central Japan, does not want to think about how much her family has spent on soccer. Since Japan's professional soccer league kicked off in May last year, the Akasakas have spent ¥2m (£19,000) on a van to transport the family of five to local club games, bought ¥80,000 of team jerseys and other paraphernalia, and spent more than ¥40,000 a month on tickets. "We would be rich if we saved all we spent," she says.

The Akasakas are among the 17m Japanese caught up in the recent craze stirred by the J-League, now in its second year. In spite of the national team's failure to win a place in this year's World Cup, spectators have continued to crowd the stadiums. A huge consumer market has evolved.

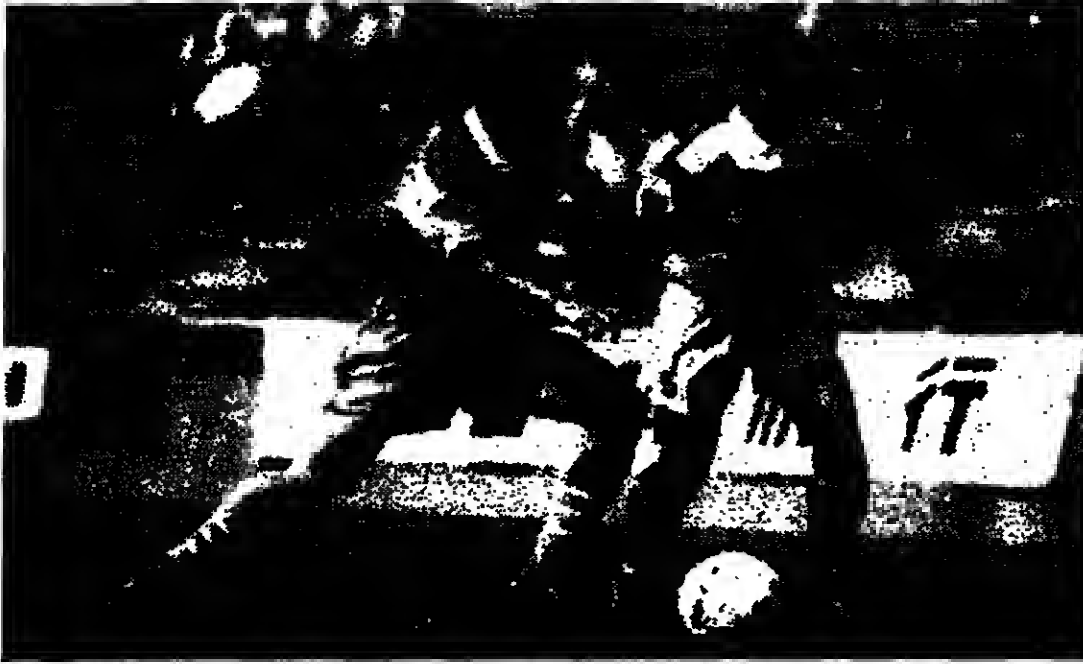
Hopeful that the popularity of the league will rub off on them, manufacturers have adorned their products with the J-League logo. Products so emblazoned include beer, cornflakes and electronic pagers, while on television soccer players are advertising men's wigs, curry and mosquito repellent.

The J-League market, with merchandise revenue estimated at ¥56m, advertising totalling ¥20m, sponsor fees at ¥19.5m, is thought to have totalled ¥140m in its first year. Some analysts are anticipating direct and indirect spending to total around ¥500m. The popularity of soccer has even prompted the government to consider a soccer pools scheme.

A large part of the league's commercial success is down to astute marketing and campaigning by leading advertising agency Hakuhodo. After a range of feasibility studies and market research (until then used only for consumer goods marketing), the agency launched a ¥200m media campaign in 1991.

Unlike Japan's fragmented baseball league, J-League controls the design, marketing and sales of items related to its 12 member teams, and splits revenue from the goods, advertising and television sponsorship fees equally among them.

The success of the J-League is also due to the way it has filled a vacuum created by waning support for baseball and sumo, which embody traditional Japanese values. The younger generation, more individualistic and westernised, are



Japan's dwindling women's football league was revived by corporate involvement but still has some way to go

Women mean business

Japanese companies may have cashed in on the success of the all-male J-League, but women's soccer in Japan has also benefited from corporate involvement.

Although still relatively unknown, the women's league, established in 1989, has pulled itself out of obscurity due to participation of company teams two years ago. The dwindling league has increased its member teams from six to 10, and advertising by companies has helped double the number of women involved.

However, recent sponsorship has been hit by the recession, and many companies have been forced to scale down their involvement in sport. Kamae Gumi, a construction company, recently dissolved its baseball and basketball teams, while NKK, a leading steel maker, abolished its volleyball and soccer teams.

Although times have also been tough for the securities industry, Nikko Securities, which owns the Nikko Dream Ladies soccer team, says it remains committed to the sport. Nikko was the first corporate-sponsored team to join the league, and the company has even brought players from Norway and the US to play in the team full time.

"When we first started I was more concerned about

bored by the stoicism of sumo players and shun the collective effort of baseball in favour of the Japanese style of soccer which focuses on the star players.

It is the glitzy image of the fashion-conscious stars and their un-

Japanese displays of emotion - hugging, kissing and dancing after goals, or walling and ranting after lost games - that have captured the hearts of young Japanese. Wearing team jerseys and colourful face paint, the fans cheer their role mod-

els on, chanting, dancing and hooting through the games. The many foreign stars have added to the international appeal of soccer. Most of the league's leading players are not Japanese and many of the coaches and team staff are

also imported. Baseball, however, still treats foreign players as outsiders, while sumo is still uneasy about awarding champion status to foreigners.

Another ingredient in J-League's success has been the corporate support achieved during the late 1980s. Kazuki Sasaki, spokesman for the league, says that when it first approached companies in 1989 it indicated that a team would need up to ¥1m in corporate contributions a year. Most companies had extra cash and were eager to contribute to philanthropic causes and community-based activities. "We wouldn't have been able to pull it off if it had been a few years later," he says.

Even amid the current slump in earnings, sponsor companies remain happy with the long-term investment. Nissan, the car maker which owns a Yokohama-based club, says the returns justify the costs. It says owning the team also helped the company to communicate with its employees in Sunderland, in the UK, and consumers in other countries.

The league's insistence upon local involvement has also boosted support. The soccer clubs have provided entertainment for the culturally barren provinces, and have instilled a sense of pride and camaraderie in the communities. "Until now there has been nothing to represent Shizuoka," says Akasaka, whose family has made friends with fellow fans.

The main question for J-League officials, corporate sponsors and players is what happens next. Companies initially pledged financial commitment for 10 years or more, ensuring long-term financial support for the teams. Officials hope for further commercial expansion of the league when two new teams join next year.

But to sustain the current popularity, the standard of players must improve. Investment is also needed in better soccer facilities, including stadiums with capacity of more than 40,000 - existing stadiums hold only about 20,000.

It was beneficial that Japan failed to qualify for this year's World Cup games, says Kazuki Sasaki, director of Nissan's football club. He believes the loss fuelled the fever. "Fans will stay with soccer for the next four years as they want to know how the national team will fare in the race for the 1998 games,"

Agencies called to account

Surprising findings come from a new survey, says Diane Summers

Advertising budgets in many UK companies were scrutinised and then slashed during the recession. Since then, it is often said, there has been a profound shift in attitudes at the top of organisations.

The claim is that it is no longer possible - as it often was in the past - to justify an advertising budget by looking at what has been spent historically and adding a dollop for good measure. There has been a permanent shift to "below-the-line" activity such as sales promotions, while agencies are increasingly being called to account for their effectiveness.

The truth of these claims is largely borne out by a survey of the largest advertisers conducted jointly for the Financial Times and the Institute of Practitioners in Advertising. Market researchers Audience Selection interviewed 156 chief executives, finance directors and marketing directors about attitudes to advertising, as well as wider marketing issues.

However, while there has been a sharpening of scrutiny and more demand for accountability, there appears to have been no weakening in the long-term importance of advertising. The IPA concludes that "despite [advertising] industry loss of self-confidence, this study serves to reconfirm the value and status of effective advertising among mainstream advertisers".

Forty-five per cent of the sample considered that advertising was becoming more important to their companies, while a further 50 per cent thought there had been no change. More than three-quarters of the sample disagreed that it was difficult to argue for an increased budget, although half felt the pressure was always on ways to reduce spending levels. Over three-quarters agreed that "the recession has taught us to question marketing spending more than we used to".

Other findings include:
● A move to setting advertising budgets on a "task-related" basis - in other words, according to

the job in hand - rather than principally on historical precedent. Finance directors, not surprisingly, felt particularly strongly that this was how budgets should be set: 66 per cent of them, compared with 58 per cent of the overall sample, said task was more important than precedent. Finance directors were a little more likely than respondents overall to view advertising as a cost rather than an investment.

● Almost universal agreement that highly creative advertising can add value to a brand and multiply the value of buying airtime and advertising space. However, there is dissatisfaction with measures used to judge the effectiveness of an advertising campaign: 16 per cent of the sample (and 26 per cent of finance directors) felt their companies were not measuring effectiveness competently.

● An unwillingness to worship at the advertising altar. Overall, about a quarter - rising to more than half of finance directors - agreed with the statement that "the advertising agency is just another supplier". This is not particularly good news for advertising agencies that see themselves as partners with clients, or hope to reinvent themselves as all-round marketing consultancies. About two-thirds of the sample disagreed with the comment that "some of the best marketing brains are to be found in advertising agencies".

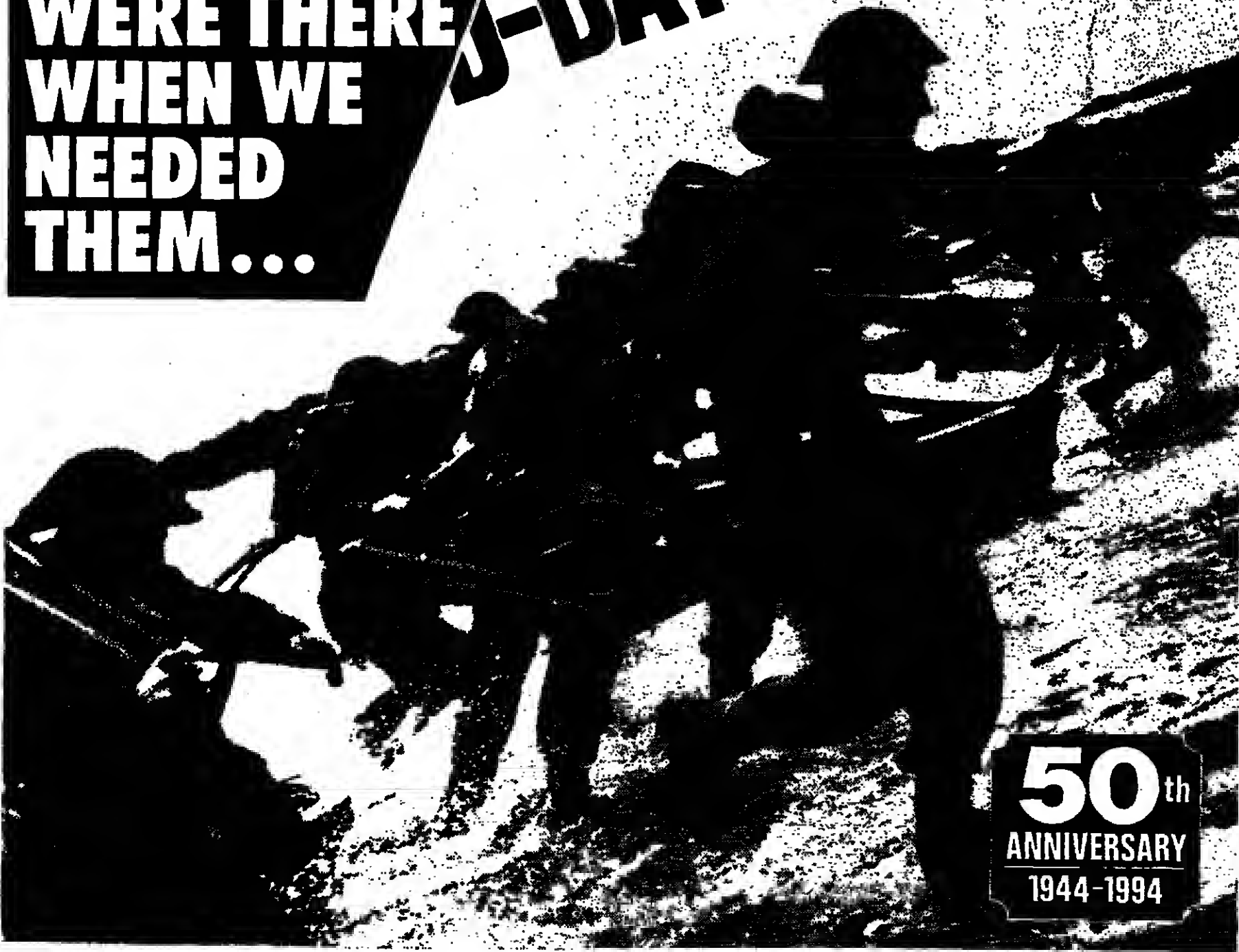
● Confirmation of the growing power of retailers. More than half agreed that retailers were becoming a more important focus for marketing activity than consumers, rising to 61 per cent among marketing directors.

● Overwhelming agreement that advertising remains the best tool for long-term brand building. "Below-the-line" activity, such as promotions, was seen by two-thirds as more effective at generating short-term sales gains.

*Copies of the FTIPA survey are available free from the IPA, 44 Belgrave Square, London SW1X 8QS

D-DAY
50 YEARS
AGO THEY
WERE THERE
WHEN WE
NEEDED
THEM...

Daily News
TUESDAY 6TH JUNE 1944
D-DAY LANDINGS



50th
ANNIVERSARY
1944-1994

NOW THEY
NEED US...
PLEASE HELP
THEM IN THEIR
HOUR OF NEED

The Army Benevolent Fund provides help to any man or woman and their families if they are serving or have served in the British Army and are in real need. This help is given in two ways: through grants to supplement Corps or Regimental aid and by financial support to over 70 national charities providing for the special needs of those in distress.

Our overall aim is to bring help to the many cases where state assistance is inapplicable, inadequate or unable to meet the immediate need.

Your donation, covenant or legacy will provide invaluable assistance for those who served their country.

Please help them in their hour of need.

To: The Army Benevolent Fund, Dept. FT,
41 Queen's Gate, London SW7 5EH Registered Charity No. 216145

You owe a lot to the soldiers who fought so hard for our freedom and continue to protect it. I would like to make this contribution to help those of them who are in need.

I enclose a donation of £100 ☐ £50 ☐ £25 ☐ Other £

Please charge my Access/Visa Card No. Expiry Date

☐ Please send me details on making a legacy or how I could donate through Payroll Giving.

Signature Name

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Please Pre-approve: I do not wish to be contacted by you about my work, if you would prefer that we do not, please tick the box ☐

THE ARMY BENEVOLENT FUND
Remembering & Supporting the Brave

FARAWAY, SO CLOSE (15)
Wim Wenders

KIKA (18)
Pedro Almodóvar

GOLDEN BALLS (18)
Bigas Luna

BAD GIRLS (15)
Jonathan Kaplan

THE GETAWAY (18)
Roger Donaldson

LIGHTNIN' JACK (PG)
Simon Wincer

Angels fly about the air in *Faraway, So Close*, Wim Wenders' sequel to *Wings of Desire*, seeking landing strips on a troubled Earth. Beguiling and maddening in equal measure, this film about a state of crisis in modern Europe embodies the state of crisis in modern European cinema. Where can those angels we call movie-makers - messengers from one zone of wisdom to another - land in the new chaos of dissolving cultures? And how do you achieve touchdown when air traffic control is run from the Tower of Babel?

Tremble at the intrepid nation cast. Germany's Otto Sander and Bruno Ganz play the volunteer "fallen" angels who try to help the lives and loves of post-unification Berliners. Russia's Mikhail Gorbachev guests through as himself, musing about peace, political harmony and the "sense of existence." And from America Peter Falk and singer Lou Reed play themselves while William Defoe snarls savagely as a symbolic Mephistopheles figure called Kait Flasti (spell it backwards).

When Icarus, mythology's most famous "angel", flew too near the sun he burned his wings and fell to earth in a Bruegel painting. Much the same is happening today to Wenders. With this film following *Until The End Of The World*, Germany's finest living director, strives to soar but instead tends to achieve a series of bizarre, offshore splashes.

Faraway, So Close starts with intimations of mortality and ends with intimations of Alastair MacLean. We begin with angel Otto Sander taking human form to help the needy in conflict-ridden Berlin: where the Wall's fall has unified a polis but not a people. Then the film matches on towards its jaw-droppingly last act. A raid on an arms vault by an army of trapeze artists; a hijacked barge; a mid-air shoot-out; and dear God (*The Magnificent Seven*) Buchholz brought out of seclusion to play chief hadda.

Two-and-a-half hours is a long time in European movie watching. We have tracheal warblings about time and memory. We have a swell of subplots touching on motherhood, bereavement, Nazi guilt. And via Reed and Falk, we have Wenders re-creating his love-hate feelings about American pop culture.

The movie's aim is to be a massive fable about desire. But what is its effect? With all this multi-thematic flying about, the characters seem less like angels in action, more like bees dementedly sipping at every pollen source in the geo-cultural garden. Next time round, the director of *Alien In The Cities*, *Kings Of The Road* and *Paris, Texas* should surely give us once



Otto Sander sits on the Victory Monument in Berlin in Wim Wenders' latest fantasy, 'Faraway, So Close'

Cinema/Nigel Andrews

The angels who fell to earth

more a film in which we feel the terra firma of a unified theme and story and a set of believable, terrestrial people.

But summer madness is hitting everyone. Like Wenders, Spain's Pedro Almodóvar has fallen in love with his own repertory troupe - and repertory tropes. *Kika* is another tale of sex, murder and runaway production design from the director of *High Heels* and *Women On The Verge Of A Nervous Breakdown*.

Lollipop colours scream from the walls as the well-known dives flit through the canvas for a plot. Victoria Abril is the camera-helmed, Gaudier-dressed reporter from a TV true crimes show; Rosy De Palma is the lesbian maid; and Verónica Forqué is the freelance scatterbrain who undergoes the marathon rape scene, which is this film's claim to notoriety. (Every Almodóvar movie must have one.)

Newcomer Peter Coyote looks confused as the hero, an American writer dubbed into Spanish. But then what chance does any fresh acting face have in the oeuvre of a man whose work has come to resemble one long blood-and-sperm-spattered fashion show? No need to look for the guilty

person in any of these plots. The director did it, aided by his designers.

For a superior example of New Spanish Cinema, try Bigas Luna's *Golden Balls*. This too has a sex scene every five minutes; this too is shot as if by a contortionist with a cross for primary colours. But unlike Luna's last film, the inchoate hymn to machismo *Jamon Jamon*, this movie is a chase and even anti-macho. A young man (Javier Bardem) longs to build tall buildings, to match his vanishing virility. But in a tale of funny, fateful symbolic élan - watch out for the eggs and lobsters - he is undone by his own dreams and by the sharply characterised women in his life. Commended.

Modern dietary wisdom tells us that all food that is good for you tastes awful and vice versa. Cinema is the same. Newest addition to the revisionist Western trend that has given us such flavourless PC epics as *Dances With Wolves* and *The Ballad Of Little Jo* is *Bad Girls*. This shows what happens when four saloon prostitutes decide they have had enough of male exploitation and hit the then little-developed highway known as Old Feminist Trail.

Madeline Stowe ties on a holster to sort out bandit and ex-flame James Russo. Mary Stuart Masterson eggs the girls on towards Oregon where she has a land claim. (But gosh-damn the MCP lawmak-ers! She learns she cannot claim it without a husband.) And MacDowell escapes from jail and thinks of setting herself up on a farm. And Drew Barrymore has a score to settle with some man in her life.

And then there is the dialogue. "If your laws don't include me, then they don't apply to me either." We had that line in *Little Jo*; will it be compulsory in every feminist western? And, as the four women sit round a camp-fire dreaming of turning a sawmill: "We sell our bodies - why can't we sell words?"

They certainly spend most of the film selling old saws. It took five people to write the story and script for *Bad Girls*: four to type, presumably, while the fifth fished around in old fortune-cookie wrappings for moral quips and mottoes. Jonathan Kaplan directs, as if he had never made a good feminist movie like *The Accused* and *Heart Like A Wheel*.

The *Getaway* wins the Pointless Remake of the Year award. The 1972 Fekkipah film with McQueen and McGraw was no

masterpiece; but at least its tale of a hood-lum couple zigzagging across the West with a bundle of bank loot and an unholy alliance of pursuers (FBI posse, rival hood-lum) allowed us two hours of harmless disbelief-suspension.

The new film defies credibility. Alec Baldwin, expert at cuffed spivs, is the run-about open-air anti-hero. Kim Basinger, she of the lymphatic pout and "Take your time, dear" acting talent, is expected to provide the hair-trigger reaction shots. Between them, as they pound across Arizona/New Mexico in a gas-guzzling script by Walter Hill and Amy Jones (based on Jim Thompson's novel), this couple has all the outlaw charisma of a pair of runaway tax-dodgers seeking a night at a Days Inn.

You may as well shrug off hope for better American things and see *Lightnin' Jack*. This hit-and-miss comedy Western about a man, a young black hostage-turned-sidekick (Cuba Gooding Jr) and an unconstructed saloon girl (Beverly D'Angelo) has never heard of political correctness. But it has heard of charm and jokes. And it brings back Paul "Crocodile Dundee" Hogan as writer-star, never letting too many minutes go by without putting another quip on the barby.

Theatre/Martin Hoyle

'Fiddler on the Roof' revived

with eyes wordlessly widened in modest amazement than most other actors do by tearing a passion to tatters. Although he still begins "If I were a rich man" with rapt, pent-up glee (is it *les-majesté* to see a line of descent from Fagin's "I'm reviewing the situation", another sinuously rambling wishful fantasy, in Bart's *Other*), his relationship with God (still situated in the gallery, house left) has grown more casual with the years. The respectful man-to-man tone of Tevye's grumbles, queries and gentle reproaches to the deity has taken on a gently hectoring note that suggests he might withdraw his allegiance if pushed too far. Whose show is it anyway?

Ultimately Shalom Aleichem's, of

course. His short stories about the Jewish communities in small-town Tsarist Russia provided the basis for Joseph Stein's book and Sheldon Harnick's lyrics; a cultural framework that enables Jerry Bock's music to tap a rich mine of musical reference in eastern European modes, oriental rhythms, a touch of the gypsy, a ready-made idiom that combines gaiety with minor-key melancholy and the constant possibility of tribulation.

The first act's strength lies in its consistency. In Act 2 Broadway comes to Anatevka: a number like "Now I have everything" could belong anywhere on the Great White Way. And for a while the piece shows its padding; the plot by now is episodic, no more than the story of how

Tevye's daughters find unsuitable attachments, one after the other. But Tevye's unforgiving attitude to Chava's love for a boy adds grit to the soft centre; and this production (Sammy Dallas Bayes, reproducing Jerome Robbins' Broadway original) gains from excellent casting that differentiates between the girls - the timidly proud eagerness of Jacquelyn Yerk's love for her poverty-stricken little tailor, Jo John's sturdy determination to join her student radical in Siberia, the bookish quietness of Adi Topol-Margalit's Chava.

Admirable support, among others, from two ex-Royal National Theatre players: Peter Dinklage, whose militant young idealist is a trial run for the Chekhovian eternal student, and Sara Keeshman, beauti-

fully restrained and touching as Tevye's sharp-tongued, loyal wife. And only the most rigidly orthodox will object to casting, as the butcher, an actor called Bacon... The set bears Boris Aronson's name, as in the original production, but looks rather more like a Christmas card than the Chagall it once evoked. Small quibbles apart, the show is confirmed as simply one of the best Broadway musicals, with a courageous ending that makes *West Side Story* look sickly-sweet in comparison. The Jews are expelled again. The coloured backdrop is black, suddenly abstract. Matchmaker Yente cheerfully decides to aim for the Holy Land: "Next year in Jerusalem". Others go to America. Some make for Cracow and Warsaw, perhaps westernised Germany. Are they the lucky ones? *Fiddler on the Roof* offers no easy comfort for what may lie in the years ahead.

At the London Palladium (071-494 5020)

Russian drama in Paris

Russia's first big season in Paris was in 1909, with Diaghilev's Ballet Russe. Now, Théâtre de l'Europe Odéon in Paris has decided to revive the tradition. It has announced a Russian season, this time of drama, and invited two directors - Lev Dodin, the well-known artistic director of the famous Maly Theatre from Petersburg; and the completely unknown 25-year-old Ivan Popovskii, director of the new Studio of Petr Fomenko.

"This was a huge risk," says the Odéon's director, Boris Stije, "but we wanted to give a chance to a young Russian company." For the young Russian company, however, turning in the west is not just a chance to show their work to the world, but also the only way to survive economically. Lev Dodin's company, for example, spends more time abroad than in Russia - prompting the Russian critic Anatoly Smelyanski to remark: "It will soon be necessary to set up a Russian season in Moscow, not in Paris". But the young actors of Fomenko Studio realise the primary importance of their work in Russia.

For the Russian season in Paris, Ivan Popovskii did not just choose a "typically Russian play" but one which interested him artistically: Aleksandr Blok's *The Show-Booth*, or *Baroque de Foire*, which is little-known in the west and rarely done to Russia. Written in 1906 and originally not intended for theatre, this "lyric drama", as Blok called it, was produced the same year by the great Vsevolod Meyerhold and was seen as a sign of a new century.

In this symbolic drama, mysticism and death are confronted with the life-enhancing theatre element in the form of commedia dell'arte characters. Pierrot, Columbine and Harlequin break through the boundaries of their stories and start living lives of their own. Death turns into Columbine; masks conceal facelessness; Harlequin breaks through the window made out of paper and the whole world turns out to be just a dream.

Ivan Popovskii's production lacks any tragic atmosphere. This young director is not interested in linking his work to the modern history; his imagination is occupied with theatrical effects. Although not the most deep, it is certainly one of the most beautiful productions done by a Russian company in recent years. The scenery, designed by Vladimir Maximov, plays a role of its own.

The production turns into a series of beautiful pictures, full of breathtaking, almost cinematographic, effects. In the last scene all the characters walk out through the white walls of an irregularly shaped room, made out of paper, leaving man-size dark holes. The wind makes the scraps of paper tumble and a draught brings into the room a strange woman in black who goes through the lighted aisle of the auditorium and disappears in darkness.

This strange, dark figure comes from another play by Blok, *The Unknown*, or *L'Inconnue*, a play about vulgarity, a poet and his illusions. Here Popovskii has given the poet the opportunity to meet his double from *Show-Booth* - Pierrot. These two romantics, one in black, the other in white, go through the series of Popovskii's tableaux like two Picasso figures, never looking at each other but as if connected by an invisible string.

Popovskii's production reminds one that besides everything else, theatre can be beautiful and rich in its visual effects. The main problem of this production in Paris, however, is that the lighting, scenery and sound effects take the priority and leave little space to actors and the author. Popovskii gets carried away by theatre facilities that are not available in Russia. Like someone who has not eaten property for a long time, he falls upon the cakes and forgets about the meat.

Arkady Ostrovsky

The Show-Booth tours France next year.

INTERNATIONAL ARTS GUIDE

FESTIVALS GUIDE

Starting this week and continuing till the end of August, the Arts Guide will focus each Wednesday and Thursday on summer festivals.

FRIBOURG

The annual festival of sacred music in the Swiss town of Fribourg opens tomorrow with a concert by the Suisse Romande Orchestra and Chorus conducted by Neeme Järvi, featuring music by Denzov, Liszt and Stravinsky. The festival continues with daily events till July 10, with guest artists including the North German Radio Chorus, the Moscow Patriarchal Orthodox Chorus and the Choir of New College Oxford (037-232555).

GLYNDEBOURNE

The new theatre has made a cracking start with *La Nozze di Figaro* starring Renée Fleming and Alison Hagley (next performances July 3, 8, 12, 15). Graham Vick's new staging of Yevgeny Onegin

with Yekaterina Prokhorova as Tatiana (July 1, 5, 11, 14, 20, 24) and a revival of Glyndebourne's classic production of *The Rake's Progress* in David Hockney's sets (July 4, 9, 16, 21, 27, 30, August 2, 5, 8, 11, 14). The next new production is Don Giovanni, staged by Deborah Warner and conducted by Simon Rattle, with a cast led by Gilles Cachemaille (first night July 10, repeated July 13, 17, 22, 25, 29, August 1, 4, 7, 10, 13, 16, 19, 21, 24). Trevor Nunn's 1982 production of *Peter Grimes* is revived on July 31 with a cast headed by Anthony Rolfe Johnson and Vivian Tierney (0273-541111).

LA ROQUE D'ANTHERON

The castle grounds of La Roque d'Antéron, equidistant from Marseille and Avignon, provide a serene Provencal setting for a piano festival of increasing international renown. Joaquin Achucarro is soloist in the opening concert by the Novobitarsk Philharmonic Orchestra on July 30. Other pianists at the festival include Fabio Cazzola, Michel Debussé, Michel Béroff, Françoise-Renée Duchabé, Aldo Ciccolini, Nelson Freire, Elio Vrsaljevic, Jean-Bernard Pommier, Lisa Lascoske, Stephen Hough and David Rankin. Ends August 21 (4250 5115).

MACERATA

This year's opera are *German* (July 16-August 11), *La bohème* (July 23-August 12) and *L'elisir d'amore* (August 4-13). The Bizet, conducted

by Alain Guingot and staged by Gilbert Delfo, has changed casts including Deyra Graves/Lucy, Valentini Tarrani in the title role and Neil Shicoff/Fabio Armillato as Don José. Gussy Devini sings Mimi in the Puccini, and the Donizetti cast is headed by Valeria Epposito, Pietro Ballo and Enzo Ojra (0733-230735).

OSLO

The Oslo Chamber Music Festival (August 3-13), founded by the violinist Arve Tellefsen in 1965, has quickly won a reputation for its musical quality. Concerts take place in churches, castles and concert halls around the city. This year's programme focuses on Britain, with music ranging from Byrd and Bridge to David Matthews and Oliver Knussen. The Nash and Killian Ensembles are taking part, while Trude Mark will play Elgar's Cello Concerto and Yuri Bashmet gives a violin recital (2255 2553).

RAVENNA

This north Italian town is Riccardo Muti's home, and he has become the main force behind the annual festival. Wolfgang Sawallisch brings the Orchestra of La Scala Milan on Sat, with a programme of symphonies by Mendelssohn and Schumann. Next Wednesday, Gianluigi Gelmetti conducts the Orchestra and Chorus of Bologna's Teatro Comunale in Rossini's *Messa Solenne*. Other highlights include the Philharmonic Orchestra with Myung-whi Chung on July 11, a production of Norma, conducted by Muffel and starring Jane Eaglen (July 16, 19, 21, 23) and

Verdi's Requiem conducted by Muti on July 20 and 22 (0544-32577).

SANTA FE

This year's festival opens tomorrow with a new production of *Tosca*, conducted by John Crosby, staged by John Copley and designed by John Corfield, with a cast headed by Mary Jane Johnson, Neil Rosenshein and Timothy Noble. The second new production, *Il barbiere di Siviglia*, follows on Saturday, in a staging by Francesca Zambello conducted by Evelino Pido, with a cast headed by Delores Ziegler. The third new production is *Die Entführung aus dem Serail* (July 16), staged by Graham Vick and conducted by Kenneth Montgomery. John Crosby conducts a revival of *Góran Jerkavet's* 1984 production of *Interno* on July 23, with Sheri Greenwald and Dale Duesing as the Storchs. Judith Weir's *Blond Eckbert* receives its American premiere on July 30. The festival comprises 38 performances in the nine weeks till August 27 (605-389 7012).

SAVONLINNA

No one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it is held. Poised on the edge of a lake, Olaf's Castle (Savonlinna) is an outstanding outdoor location for opera. The 1994 programme (July 6-30) is one of the least distinctive of recent years, with a revival of last year's successful production of Verdi's *Macbeth* (till July 15), the evergreen *Die Zauberflöte* (till July 15) and

a visit from the Hungarian National Opera. One of the more eye-catching events is a student production of Yevgeny Onegin in the final week (057-273492).

SPOLETO

This year's Spoleto Festival, which opened last week, is spearheaded by two productions in the Teatro Nuovo. *Wozzeck* staged by avant-garde German director Götz Kerner, and a Poulenc double-bill pairing his surreal opera *Les merraines de Tirésias* with a reconstruction of Nijinska's original choreography of Les Biches. There are also performances by the Martha Graham Dance Company and Roland Petit's Ballet National de Marseille, plus an Italian-language production of Arthur Miller's *The Last Yankee*. The festival ends on July 10 with a performance of Beethoven's Ninth Symphony in the cathedral piazza, conducted by Christian Thielemann (0743-40265).

TANGLEWOOD

A warm-up series of concerts this weekend features Wynton Marsalis, Liza Minnelli and Nanci Griffith. The gala opening of the new concert hall takes place next Thursday with a line-up including Seiji Ozawa, Jessye Norman, Yo Yo Ma and Peter Serkin. The Boston Symphony Orchestra begins its summer concert series next Friday. Guest artists this year include Mariss Jansons, Leonard Slatkin, Bernard Haitink, Hermann Prey, Thomas Hampson, Anne Sophie Mutter, Midori, Gidon Kremer, Itzhak

Perlman and Ute Lemper (Ticketmaster Boston 617-531 2000 Western Massachusetts 413-733 2500 New York City 212-307 7171 other areas 1-800 347 0808).

TORROELLA DE MONTGRÍ

Torroella de Montgrí is a small Catalan town 6km from the sea on the Costa Brava, but it is not primarily a tourist resort. The town is architecturally typical of the Empordà and is set in beautifully natural surroundings. The summer music festival (July 8-August 26) mixes Spanish artists of the calibre of Glauco Aragall and Jordi Savall with international guests such as the Franz Liszt Chamber Orchestra and the Choir and Orchestra of the St Petersburg Capella (072-761098).

VADSTEJNA

Vadstena's annual opera festival takes place in the historic buildings of this charming medieval town 250km south-west of Stockholm. This summer's programme opens tomorrow with a Swedish-language production of Cimarosa's 1776 opera *I adreghi per amore* (The Misadventures of Love), which runs till July 15. The second opera is *The Various Adventures of Mrs Björk*, a tragic-comedy by Swedish composer Staffan Moesmark based on a novel by Jonas Carlell. This opens on July 28 and runs till August 12. There will also be an opera gala in the Vadstena Castle courtyard on August 7 (Tickets 0143-10094 Information 0143-12229).

ARTS GUIDE

Monday: Performing arts guide city by city.
Tuesday: Performing arts guide city by city.
Wednesday: Festivals guide.
Thursday: Festivals guide.
Friday: Exhibitions guide.

European Cable and Satellite Business TV (Central European Time)
MONDAY TO FRIDAY
NBC/Super Channel: FT Business Today 1330; FT Business Tonight 1730, 2230

MONDAY
NBC/Super Channel: FT Reports 1230.

TUESDAY
EuroNews: FT Reports 0745, 1315, 1545, 1815, 2045.

WEDNESDAY
NBC/Super Channel: FT Reports 1230

FRIDAY
NBC/Super Channel: FT Reports 1230
Sky News: FT Reports 0230, 2030

SUNDAY
NBC/Super Channel: FT Reports 2230
Sky News: FT Reports 0430, 1730;

Cock-a-hoop about the single market



BOOK REVIEW

The single European market programme, once more popularly known as "1992", has been arguably the most significant advance in the development of the European Community in recent years. And since Lord Cockfield was the chief architect of that programme, as senior British commissioner in the first Delors Commission of 1989-1993, a hook by him on this subject is worth reading.

It has to be said right away Lord Cockfield does not err towards modesty about his performance in Brussels: on the contrary he inclines to a brisk and self-satisfied style of autobiography reminiscent of Field Marshal Bernard Montgomery: "The prime minister instructed me to move my forces to the north. I decided to move them south. And of course events proved me completely right. I won a great victory."

Here's Lord Cockfield on the drafting of the single market white paper: "Much of the white paper on the internal market I wrote myself by hand and indeed I had started drafting before I even came to Brussels. Having been written originally in English, the white paper is an eminently readable document." So there!

Lord Cockfield is as forthright in depicting his battle to maximise his power base in the new Commission. "It was, I said, impossible for me, if I was to complete the job properly and quickly, to be put in the position of having to argue with other commissioners and their officials. I would produce the programme; I would consult in such detail as I thought necessary; I would present the programme to the Commission; they could then accept it, modify it or reject it. But I was not prepared to get bogged down in a bureaucratic mess. I was, I said, not simply or primarily a politician; I had run a major British company and I had run it successfully; this was that sort of job and that was the way I wanted to run it."

As the tone of these quotations suggests, Lord Cockfield is not pitching for a readership of technical experts. If anyone hopes to find an in-depth expla-

THE EUROPEAN UNION:
Creating the Single Market
By Lord Cockfield
Wiley Chancery Law £9.99
185 pages

nation of the single market programme and its 300 legislative proposals, he or she will be disappointed.

Apart from a cursory classification of the barriers between member states - physical, technical and fiscal - there is simply no detail about the programme. What we mainly get is a forceful exegesis of Lord Cockfield's broad strategic objectives, and a touchingly one-sided account of his complete success in bludgeoning his way through the bureaucratic and political undergrowth.

THE PM and I on VAT
Myself: "It was in the Treaty of Rome."
The PM: "It was not."
Myself: "It was."
The PM: "It was not."
Myself: "It was."

"This unproductive conversation was brought to an end by the private secretary being sent to find a copy of the Treaty of Rome. I asked him to read out Article 99, which reads as follows: 'The Commission shall present proposals for the harmonisation of indirect taxes...'"

"This was greeted in complete silence."

But the real subject of the book is the long and counterproductive conflict between Britain and its partners. One thing the British have the greatest difficulty understanding, says Cockfield, is that the European Community has an in-built tendency towards integration. "The Community always goes forward; never backward," he writes. "At times progress may be slow to the point where it appears almost to have stopped; but in due time progress will be resumed. If what has happened in recent years is anything to go by, people in this country - with distinguished exceptions - simply did not understand

this. They thought they had a *tabula rasa* on which they could write anything that took their fancy. They did not; and they could not."

But Lord Cockfield reserves his special scorn for Mrs Thatcher's uncomprehending hostility to Europe. "Deep down Mrs Thatcher was throughout opposed to the Community," he says. "She never understood the Community, neither its philosophy, its motivation, nor indeed its actual policies and legal provisions... Her support for the internal market programme was largely based on a misunderstanding. She was convinced throughout that the Community was simply a free trade area with one or two additions such as the Common Agricultural Policy, to which she strongly objected... She never seemed to realise that the internal market programme meant that all 12 member states had to conform to a common set of rules and this meant in turn that the rules had to be embodied in legislation."

What emerges clearly from Lord Cockfield's account is that Mrs Thatcher was not really familiar with the Community's basic texts, such as the Treaty of Rome. He had a difficult meeting with her on the subject of the harmonisation of VAT rates in Europe (see box).

Lord Cockfield implies Mrs Thatcher must also have been unaware that the Community was committed to the objectives of economic and monetary union and of a European social policy, through the Stuttgart Declaration of 1983 and the Single European Act of 1987, both of which she had signed.

But in this respect, perhaps, Mrs Thatcher was only too representative of her compatriots. Here is Cockfield on the general attitude of British politicians to the Community: "They recall little of its history, know nothing of its philosophy, and even more striking is the virtually complete absence of hard, factual knowledge. Perhaps the most trenchant criticism of all is that they were and remain unaware of these deficiencies."

Ian Davidson

The golden rule for economic forecasters is: forecast what has already happened and stay at the cautious end. The British Treasury's summer economic forecast obeys both these rules, like other forecasts it tells us more about the present and the recent past than about the future.

Growth has turned out slightly faster and inflation lower than in the official forecast late last autumn when the unified Budget was introduced. These developments have occurred not just in one country but in most principal western economies.

As a result the Treasury has cautiously raised its 1994 forecast from a growth rate of 2% per cent to 2% per cent, these numbers both being 1/4 per cent lower if North Sea oil output is excluded. Next year the growth rate is expected to remain at 2% per cent with or without the North Sea element. The forecast for the inflation rate has been adjusted rather more. It is expected to remain at 2% per cent (excluding mortgage interest payments) in the final quarter of 1994 and rise only to 2% per cent next year - well within the government's 1-4 per cent target range. The Public Sector Borrowing Requirement projection has accordingly been trimmed back by £2bn a year, nearly all due to higher revenue estimates.

The Treasury insists that inflation tends to fall when the output gap - the difference between actual and potential levels of gross domestic product - is sufficiently high. Officials are confident that there is still a sizeable margin of excess capacity and that there will therefore be considerable further downward pressure on inflation in the medium term. The outbreak of price competition among British newspapers may tell us more about the changed economic climate than the spurt in commodity prices or the fall in bonds.

Indeed it is important for the government not to be panicked by the bond markets into premature restrictive measures. No one country can resist these pressures on its own. But they are something that the finance ministers from the Group of Seven leading industrial countries should tackle together, preferably at meetings where central bank governors are also present rather than at the "summit" to be staged next week as a media event by heads of government in Naples.

In the UK growth has, quite naturally, been consumer-led.

ECONOMIC VIEWPOINT

Recovery alone is not enough

By Samuel Brittan

Nevertheless the forecast current balance of payment deficit is expected to fall slightly, as a proportion of GDP, to reach 1% per cent by 1996. This is the one place where the Treasury is prepared to be more optimistic than its Panel of Independent Forecasters. Indeed import growth is expected to be "slower than usual in relation to the expected growth of demand". Cost competitiveness is put at about 15 per cent better than in the second quarter of 1992, before sterling left the exchange rate mechanism. It is also better than in nearly all of the past 15 years. The need is thus not to achieve "competitiveness" but to keep it and exploit it.

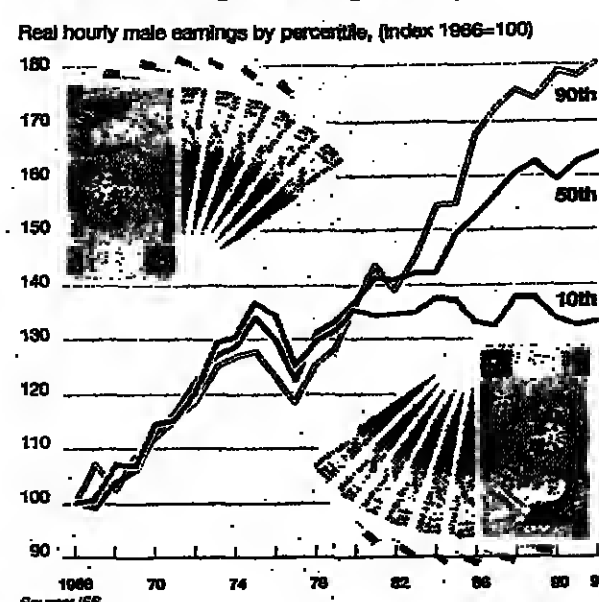
Pay and jobs

As usual, the most interesting aspect of the Treasury forecast lies not in the predictions but in the observations made en route. For instance officials admit that employment has yet to show a strong recovery. "The implication is that falling participation in the labour market has made some contribution to the decline in unemployment." Increased participation in further and higher education is one reason for diminished participation rates, but is far from the only one.

Indeed the biggest problem of modern western economies is not the growth rate but the inter-related ones of low pay and unemployment. For the market-clearing pay rates for the less well-off have been squeezed everywhere, showing itself directly in the US and in the form of high and rising unemployment on the continent of Europe. In Britain, the pay squeeze is becoming evident well ahead of the job improvement aspects.

Some new evidence of the extent of the squeeze in low pay has been published by the Institute for Fiscal Studies in a new paper, *What Has Happened To Wages?* The summarised conclusion is stark and is

The widening earnings gap



illustrated in the accompanying chart. British workers half-way up the income distribution (normally called by statisticians the "median" or "50th percentile") received a total real pay increase of 35 per cent between 1978 to 1992. Those 90 per cent of the way up the

increased female participation rates.)

The relative position of workers at the bottom was at its worst since records began in 1886. The IFS exaggerates the contrast between Britain and continental Europe. For the position of the low paid is being squeezed in most countries; and Britain is simply ahead of the others in its move to more flexible labour markets. The IFS explains the disparities partly in terms of higher returns to skill and education. But this begs the question of whether these are genuine returns or whether employers are using the educational system as a quality filter to help choose recruits. In any case income disparities have increased even within similar educational groups. So other qualities, such as work attitudes, personal traits and even luck have also become more important.

The British government has been approaching the problem from the angle of structural unemployment. At the moment

attention is concentrated on the Job Seekers' allowance, which is to replace both Unemployment Benefit and Income Support. Valuable time has been frittered away on a turf battle between the Department of Employment and the Department of Social Security about who is to administer the new benefit; predictably they are both to have a hand.

A more substantial discussion has been going on about the definition of "availability for work". The guiding principle is likely to be a review of the recipient's attempts to find work - a development of Lord Young's Restart scheme. A less "Gradgrind" aspect is to carry further the reintegration of the employment services and benefit offices. It is suggested that the same official who places somebody in a job should also explain to him how to apply for the top-up benefit for low earners known in the UK as Family Credit.

Another constructive idea is Prof Dennis Snower's, for the transferability of benefit for a limited period to employers willing to make a net addition to their labour force. A couple of pilot projects have been launched, but the DoE is regarded in the rest of Whitehall as dragging its feet in this regard. All such schemes must have some effect in reducing wages - the whole idea is to encourage employers to price more people into work without the workers concerned being forced into poverty.

There is no escaping the changes in the labour market, which confront some workers with the choice of no pay or low pay. But if they are to choose the latter without being forced onto unacceptably low standards of living, the solution would have to be a significant extension of the UK Family Credit system. This has been advocated by Lord Lawson, the former chancellor, who is now a well-known economist.

At present Family Credit does not apply to single people or families without children. An extension to these groups is now estimated to cost up to £1bn a year. Although this is real money, it would be a low price to pay for combining the advantages of a US-style labour market with a European approach to poverty. Of course, reform should go further and ease some of the other conditions for drawing this benefit. But it is quite remarkable that no social security secretary within the past few years has as much as asked the Treasury for this particular extension.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

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Cost arguments no way to nuclear future

From Mr Peter Beck.

Sir, Michael Smith's article, "Future of Sizewell C rests on 3.7p claim" (June 21), leaves me with the fear that the UK nuclear review will degenerate into a battle of numbers. Results of cost calculations for large projects depend on a host of assumptions, with many having a big effect on the outcome. By the choice of a judicious mixture of assumptions, all within the plausible range, one can get any result one wishes. We are left with all parties claiming that their numbers are correct and the others' wrong. Rather than such a battle, which usually

generates much heat but little light, there are many fundamental issues surrounding nuclear energy which need debate. Just to mention two:

Whether justified or not, there is a considerable public opposition to nuclear energy. In other countries (Germany, US, Sweden) this has led to political parties taking different views, resulting in near-paralysis. Can one have a successful nuclear industry in a democracy unless there is a degree of consensus, such as exists in France and Japan, and is this achievable in the UK?

A highly competitive market structure of many players, which appears to be the aim of present government thinking, tends to lead away from long-term strategic decisions to greater emphasis on short-term profit maximisation. It is not clear how expansion of nuclear energy with its large unit investment, long delay between decision and start-up and its many political risks, can fit into such a model unless government decides to affect commercial decisions by reducing commercial risks. And that raises the issue of government role. Can investment in electricity be left to the play of short-term market

forces or is there need for a strategic steer? If the latter, who, except government, can should provide it?

There are strong differences of views on such points. Their debate will be more illuminating about the future role of nuclear power in the UK and how to achieve it than arcane arguments about relative cost advantages of hypothetical power plants during the first 30 years of the next century.

Peter Beck,
Associate Fellow,
Royal Institute of International Affairs,
10 St James's Square,
London SW1

Time to act

From Mr Derek H Broome.

Sir, Thank heaven for Alastair Ross Goobey and his colleagues at Postel ("Postel vote threatens to company directors", June 27). It is high time that all institutions tackled the scandal of executive pay and perks. Reasoned arguments are ignored; only massive votes at AGMs will serve.

If more institutions follow the Postel lead they will deserve the full support of private shareholders who are otherwise easily ignored. I suggest that any such should solicit proxies to drive home the point that executives can no longer decide their own terms and conditions without accountability to the owners at large.

Derek H Broome,
52 Wellington Road,
Mears Ashby,
Northampton NN6 0DZ

Not well known as a bank

From Dr Christian Deubner.

Sir, I thought you might be interested in an experience illustrating the fame of the European Bank for Reconstruction and Development. During a brief stay in London, I tried to look up a friend at the EBRD. Having lost his card, with the bank's address and telephone number, I took the tube to Moorgate and asked an underground employee for EBRD's whereabouts. Understandably, perhaps, he could not help me, but sensibly sent me to ask at the closest branch of National Westminster Bank. They would surely know. Alas, the lady at the information desk looked mystified: "European Bank - for what? Well, let's look at our hand-book." She reached for a professional register of London

banks. Her assurance swiftly waned as she looked at me doubtfully. "Your European bank is not here."

Becoming impatient, I begged her to look in a normal London telephone directory. She disappeared, returning after a lengthy delay with the yellow pages. I already guessed her response: there was no European bank under "banks and financial institutions".

In need of perspective

From Dr Malcolm Povey.

Sir, Dr Denis Alexander (Letters, June 25/26) lacks historical perspective. The church's persecution and censorship of Copernicus, Galileo, Servetus and Descartes, hardly adds up to a "powerful impetus... to the emergence of modern science". Just to add balance to a one-sided account, Calvin burnt Servetus when he was on the point of discovering the circulation of blood and kept him roasting alive for two hours. Bruno was burnt at the stake by the Inquisition. The Inquisition sentenced Galileo to house arrest for life and commanded him publicly to renounce Copernicanism.

To the extent that these were mainly 16th century events the 17th century is better described as the time that science liberated itself from theology. The church fought a rear-guard action right into the 19th century. Darwin delayed publication of the *Origin of Species* for 20 years, castigating himself as "The Devil's Chaplain". The humiliation of Bishop Wilberforce and the triumph of Huxley's Royal Society marked the ascendancy of a scientific world view in the eyes of British society. Over the past half a millennium, religion has retreated from the centre of an explanation of all that exists to the periphery - it is to science that one looks first.

Malcolm Povey,
Procter Department of Food Science,
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'Lower' gas prices may not seem that way

From Mr Ian Powe.

Sir, In their vision of lower prices for all gas consumers (Letters, June 24), Mr Ted Trafford and his six colleagues attribute a contrary view that there will be "winners and losers" to the opponents of competition. It is actually a view held by supporters of competition, including the Gas Consumers Council and the Monopolies and Mergers Commission. The latter's 1993 gas report said "some groups may be worse off than at present", a theme acknowledged by Ofgas, the industry regulator, and the Department of Trade and Industry in their joint consul-

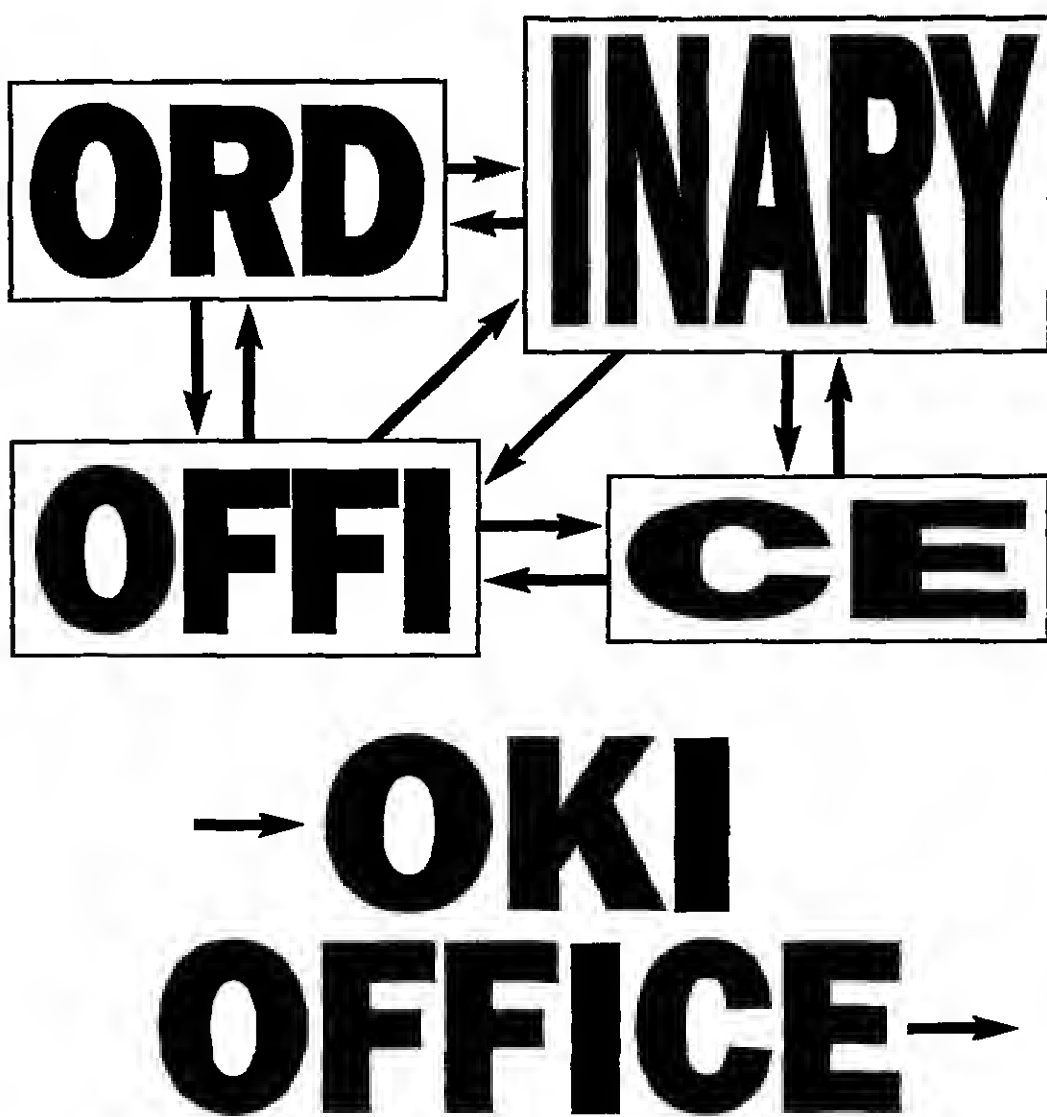
tation document's emphasis on the need to avoid "unacceptably abrupt price movements for particular groups of consumers".

A common objective for the GCC, the DTI and Ofgas, in their support of competition, must be to minimise or, better still, avoid price increases during transition from monopoly to competition. British Gas has only until April 1996 to follow government policy by re-balancing its monopoly tariffs to the cost-reflective basis which will allow competition to thrive. The question is whether today's cross-subsidies, which enable British Gas to supply

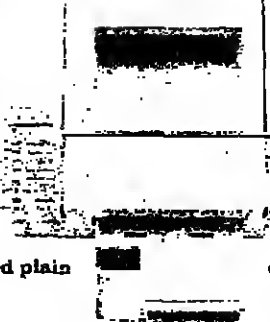
millions of customers at below cost, are of such a size that their removal will cause significant price rises for those who use little gas or live far away from North Sea terminals.

Mr Trafford's prophecy stands a good chance of fulfilment, but if the promised "lower" prices are initially higher for many people than they pay today, those consumers may not see the point of the whole exercise.

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Thursday June 30 1994

A watershed for Hong Kong

With yesterday's vote to approve Mr Chris Patten's political reforms, Hong Kong's Legislative Council has begun the final chapter of Britain's tenure. Elections this year and in 1995 will have the degree of freedom and fairness sought by the governor. But China promises to reverse the reforms. So we will not know until after it resumes sovereignty on July 1 1997, whether Mr Patten's contribution to Hong Kong's political structure will be lasting.

Nevertheless, Mr Patten's role has been positive in several respects. The very fact that an impassioned and lengthy debate on democratic reform took place at all in LegCo, reflects greater political maturity in Hong Kong for which the governor can take credit. He has forced open discussion of issues which many - whether in Hong Kong, China or Britain - did not want to face. China has had to consider, and to make clearer, what it means by "one country, two systems". Politicians in Hong Kong have had to stand and be counted on an issue central to its future. As a result, the transition to Chinese rule is likely to be less of a voyage into the unknown. Although the vote did not go as China wanted, the way should now be clear for important practical aspects of the handover to be dealt with. There have been welcome indications from Beijing that it is willing to set disagreements on politics to one side and make progress on other issues. It is to be hoped that agreements will soon be reached on defence lands and on financing for the airport, and that progress can be made on topics such as air services and the many necessary legal changes.

Democratic franchise

Also on the positive side, the reforms themselves broaden the democratic franchise of indirectly-elected seats, and make voting arrangements fairer, though leaving Hong Kong a long way from full democracy. This is a modest advance, which should help to strengthen the underpinnings of Hong Kong's economic success. However, it will have been of little value, and possibly counter-productive, if it lasts for only two years - the LegCo elected in 1995 is supposed to last until 1999. China will have noticed that

most LegCo members who gained their seats by contested election voted for Mr Patten's reforms, and most who were appointed to their seats voted against them. But it will also see that the vote nearly went its way in spite of the governor's lobbying efforts.

New elections

Beijing's instinct will naturally be to carry out its promise in 1997 and arrange new elections to secure a more compliant legislative body. But it can await the results of the 1998 elections, and the subsequent behaviour of LegCo, before deciding whether to do so. Even if LegCo, and in particular some of its members, are objectionable to China, there would seem little need to disband it if its make-up were broadly acceptable. It should be remembered that China remains committed to the Basic Law, which sets out steps towards a fully directly-elected LegCo.

Times Mr Patten's reforms may not be reversed. Even so, the overall result of his exercise is to leave Hong Kong in an unfortunate limbo. It may be that this uncertainty will be a stimulant and that it will make little difference to people in Hong Kong, especially in business, who have long adapted themselves to the prospect of Chinese sovereignty. But that the uncertainty exists results from Mr Patten's failure to achieve his original goals: to improve relations with China and to reach an agreement on the electoral arrangements. If his up-front approach to China had really paid off, everybody would be able to view Hong Kong's future with optimism.

Yet these remaining reservations do not prove correct the British ex-diplomats who would prefer Britain to have settled, on a quiet afternoon in Beijing, for the best electoral arrangements it could get. The last such effort to accommodate Beijing before Mr Patten's appointment, an agreement on the airport secured through a visit to Beijing by Mr John Major, hardly proved definitive: China then delayed approval for the project's financing terms in an effort to derail the governor.

Mr Patten's narrow victory at least clarifies the range of options, even if it is not known which of them Beijing will take.

Healthy effect of league tables

Two striking results emerge from the publication yesterday of hospital performance league tables for England, Wales and Northern Ireland. The first is the marked improvement over the last year in average performance against many of the indicators used. The second is the enormous variation that remains between the performance of individual hospitals. The discipline of league tables must have played a significant role in the first achievement and should spur progress on the second by encouraging the worst performers to raise their standards to the level of the best.

It is the variations between different hospitals that should give the most cause for concern. There are often good reasons why some hospitals do worse than others in, for example, reducing waiting times for operations. The distribution of resources is never perfect, and some hospitals have inherited years of neglect that will take time to remedy. But it is hard to see any reason why some hospitals should be able to treat virtually all patients within a year and most within three months - while others find it hard to treat more than half their patients in a year. Raising all hospitals to the average of the top quartile would mean a significant improvement in the standard of the health service in many parts of the country.

Day surgery

Similar variations can be seen in the use of day surgery. Day surgery is not the right approach in all cases, since some patients will need to stay in hospital to recuperate from even the most sophisticated of modern surgical procedures. But it is hard to fathom why one hospital should be able to extract all cataracts within three months while another requires all such patients to be hospitalised. Prima facie, this suggests an unacceptable waste of scarce resources in the form of hospital beds. Even the much criticised punctuality targets are revealing in their variations. Hospitals that see barely half their outpatients within 30 minutes of the appointed time are still organising themselves for the benefit of their staff rather than their customers. The best performers are able to see all

or nearly all their outpatients within the 30-minute target time. Those that cannot achieve this need to put a higher premium on meeting their patients' needs.

Undesirable outcomes

There is, however, a danger that needs to be guarded against in focusing on a narrow range of performance indicators. Almost any target can be met if it is pursued single-mindedly, though the result may be to produce undesirable outcomes. At the most absurd level, a hospital could score well in the league tables by discharging patients earlier than is good for their health. To that extent, those who oppose the publication of league tables have a point when they say that there are no targets on clinical performance.

That is not an argument against league tables, however, but one for more appropriate performance indicators. Information on clinical matters such as death rates while under the scalpel and infection rates among discharged patients is available. In the US, such data are routinely published in comparable form and highlight unacceptable variations. A priority for the UK health service is to complement the existing service targets with equally robust clinical targets to illuminate quality of treatment.

However, the best should not be allowed to become the enemy of the good. Positive results from publishing comparative information can be seen already in the improvement in hospital performance since last year. Similar improvements have also been recorded in school performance, where league tables are now into their third year.

In that context, the Labour party needs to be more explicit about its plans for using such information to improve public services. Party spokesmen say that they are in favour of providing much more data on performance, but are cagey about whether they would compile league tables. This sounds like a recipe for a deluge of data that will swamp the customer and offer no basis for comparison. The greatest improvement in performance will come by publishing a limited range of indicators in tables that allow easy comparisons and then making managers accountable for the results.

Russian privatisation is at the end of its beginning: its first phase will be deemed complete today, its second starts tomorrow when a new tranche of enterprises is offered for sale to the public and, equally important, to foreign investors.

The first stage of the privatisation process has, in the 18 months since it began, put 70-80 per cent of small businesses and shops into private hands; privatised 15,000 medium and large-scale enterprises, largely by giving vouchers to the entire population which could be exchanged for shares; made 50m Russians shareholders; transferred nearly two-thirds of the labour force out of the state sector; created more than 600 mutual, or voucher investment funds with 40m shareholders.

"We have," says Anatoly Chubais, the deputy prime minister in charge of privatisation, "broken the back of the old system. We have created a broad base of shareholders who have an economic interest in the success of reform."

But the speed, and the explicitly political endeavour to create a bourgeois class much as the Bolsheviks strove to create a working class as their base, has left many problems unanswered - as critics such as Vladimir Lukin, the veteran radical economist, and even party insiders in the reform process, agree.

"We can already say that the aims of the privatisation programme have failed," says Shatalin, "mainly because a large part of the companies have not the financial and material resources to carry through any kind of a production programme."

Maxim Boycko, head of the Russian Privatisation Centre, wrote in a harshly realistic assessment made with Andrei Shleifer, the Harvard economist who has assisted the privatisation process, that "most enterprises continue to be run unchallenged by old management teams, which often lack the human capital and interest to initiate significant restructuring... enterprises that do want to restructure often lack the capital to move aggressively... private markets have not succeeded in delivering capital to privatised firms."

The programme moved so fast because it cut with the grain of just-post-Soviet society, where the workers and the managers possessed a huge passive power to block initiatives from the top. They did this throughout Mikhail Gorbachev's faltering efforts to improve the economy, and they mean to continue to fight any measures which threaten their jobs. Thus privatisation was skewed towards the insiders - the workers and the managers - giving them, in the option chosen by some 80 per cent of the enterprises, the right to own 51 per cent of the shares for nothing or for nominal sums.

According to Professor Yegor Yasin, head of a council of economic experts which advises President Boris Yeltsin, the insiders own

Russian industry must restructure if the second phase of privatisation is to attract foreign investors, says John Lloyd

Aux armes capitalists

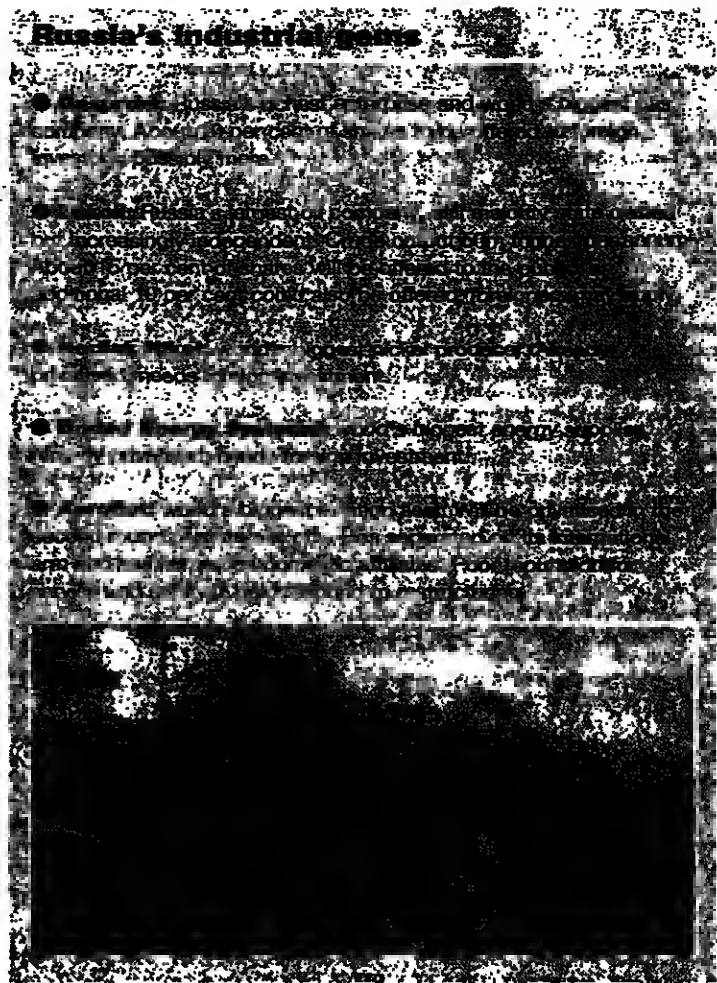
on average some 70 per cent of the privatised enterprises, "and want to keep it that way for what they see as their own security."

For these reasons, the next stage is, as Chubais puts it, "the stage of strategic investment". It is, or should be, the time when both Russian and foreign investors come forward with cash, not vouchers, and come into their rights of ownership. Such rights include changing management, cutting jobs, shaping up the companies for domestic and foreign competition. Chubais has fought legions of enemies, especially in the old Russian Super-Soviet, who attempted to keep some kind of state control of industry. He has beaten most of them back, but to keep his shaky initiative he needs Russia's new capitalists to act as if they know they are capitalists.

The plans which he has presented, approved by the government this week but which have not yet received presidential approval, are for a programme which reduces insiders' privileges. Investors will be able to buy, at most, 25 per cent of a company at a favourable price - but much less favourable than in the first privatisation wave - rates. The rest of the shares will be sold for cash. Regional authorities will be given more powers over the process, which is a dangerous matter, as Chubais and his colleagues realise, since many are commanded by anti-reformists. But it is politically necessary.

Chubais' obsession in this second round is to empower the shareholders with vague rights of which they are mainly unaware. He points to some successes: his figures show that in 10 per cent of privatised companies, managements have been changed by shareholders' meetings. But he acknowledges that, for example, the present bureaucratic approach to bankruptcies means that the state and not the nominal owners of the enterprises has the final say on closing a company down.

Further, Chubais wants to make sure that enterprises can buy out-right the land on which they are situated; that agricultural land can be sold easily (a process which he believes will be lengthy); that a security market should be encouraged to emerge; and that most



attention be focused on separating out the enterprises' production functions from their social roles as providers of everything from cheap food, flats and kindergarten. The latter would mean a vast shift of responsibility onto the shoulders of regional and local administrations. A significant part of Chubais' strategy - though it is touchy, even inflammatory, in Russia's nationalistic political arenas - is to attract foreign businesses. These have not been wholly absent from the first phase of privatisation. There have been a number of quiet purchases of substantial blocks of shares, usually in the secondary market from workers who wished to sell.

David Pitt-Watson of the Braxton Consulting Group, an international strategic consultancy, says: "These will be like a massive win on the

roulette wheel in many cases, because they were so cheap: but it will probably take around 10 years to collect."

Now, however, both Russian and foreign financiers are being wooed in earnest - at least by some members of a still-divided Russian administration. The government's view is, as President Yeltsin said on Tuesday, that Russia is now "more politically stable than it has been for years".

Top business people are divided. Says Pyotr Aven, a former trade minister under Yegor Gaidar, head of the political party Russia's Choice, and former acting prime minister, and now chairman of Alpha Bank, part of the finance group Alpha Capital, says that "we are now ready to invest". He cites cement plants as one area where his group's capital is already placed,

he is readying himself for one. He needs a joint venture in high-quality semiconductor and if he is to be able to put up the funds to complete the new plant. Moreover, he must have one if he is to open up new markets and extend the already impressive expertise he himself has built up in marketing. And he needs constant access to world-class technology so that the company remains a top Russian producer of microelectronic products and gadgetry.

Seems a little sad at the passing of the old era but he does not mourn it. "We realise that a foreign partner would have little interest in an association with a state company, and so we must privatise," he says. Despite the sacrifices and a certain degree of loss, Mr Delkhuyzen is taking the long view, and getting on with it.

Blue chip off the old block

exercise of initiative rare for a Soviet-era director.

Moreover, he was prepared to shift privatisation from the most sophisticated technologies used in space and defence programmes to those better suited to the consumer market. The stereotypical military plant director, on the other hand, is a man scornful of making useful tools when he could be making useless advanced weapons. Delkhuyzen acknowledges that "certainly, we have had to move down to a second level of quality", but he adds that, "once we secure niche markets there and get new technology, we can move back up".

He has also reduced the number of staff by about one-third to a little over 4,000. In part, this reflects

a fall in output. But it has also resulted because "some people wanted to use their skills to found small businesses of their own, and others could not adapt to the new circumstances."

Here again, Delkhuyzen's outlook is atypical: most directors from the old Soviet era have retained staff, even if many are doing little or no work. His plant is one of the last to go through the first stage of the privatisation process, the voucher auction and today. Though his fellow managers and the workforce will end up owning about 50 per cent of the company, he worries that an outside investor will snap up a big stake and attempt to gain control of the company. "Many who are now investing want very quick

returns, and that would be bad for this kind of company," he says.

It is a very tempting moral. Its unusual value at privatisation is no more than 80m - even though it now exports half its production to hard currency markets, mainly in South East Asia, and is completing a \$70m investment in a new facility with the latest available technology.

It is a dramatic example of the undervaluation of Russian assets which the privatisation process has forced on many companies - although in the case of many other companies, almost any valuation is too high.

Mr Delkhuyzen needs, above all, a foreign partner - and, with the aid of Credit Suisse First Boston,

ready to reap the rewards of the already surging private housing market.

But Vladimir Goussinsky, a prominent Moscow businessman, is more cautious, and thus more likely to continue to make much of his investment abroad.

Mentioning the project to launch the new-generation Tupolev 204 airliner with advanced avionics and Rolls-Royce engines, he says that government persuasion of him and his fellow financiers to support the project has not worked. He says this is because he does not believe that US and European aircraft manufacturers will allow it into their viciously-fought markets, nor that the Russian government has the clout to promote it abroad. Yet aircraft - or at least airframe - manufacture is one of the few areas where Russian technology is competitive. If no investment here, then where?

The answer is probably in more humble areas, such as cement plants. Foreign companies have bought dominating positions in breweries, printing ink companies, perfume factories, food-processing plants and some engineering concerns. Though they have invested, in the past six years, less than \$30m, they are expected (at least by Mr Victor Chernomyrdin, the Russian prime minister) to jack that up to \$100m a year before the end of the decade.

Some foreigners are enthusiastic: Percy Barnevik, head of ABB Brown Boveri, the Swedish-Swiss power plant and engineering company has 15 joint ventures and 3,000 workers in Russia. Barnevik preaches an interactive learning process between foreigners and Russians, critically learning to trust each others' long-term commitments. "The key turning point in our Petersburg plant Nevski Zavod," says Barnevik, "was when we said we would teach 100 managers to speak English. Then they said, 'these foreigners are not just here for the quick buck.'"

Others are sceptical, like the increasingly bad-tempered oil companies, battered by taxation, bad or non-existent legislation, the hostility of the Russian oil barons and, now, organised crime racketeers. The latter are losing their inhibitions about approaching foreign companies for protection money and prey upon the relatively highly paid, vulnerable Russian employees.

If this is the end of the beginning, the beginning of the end is very far away. Restructuring, which means shedding management and workers who have tried to use the first phase as a shield against attack, will be harder than what has gone before.

"We are not accustomed to seeing ourselves in the world," says Mr Sergei Dubynin, the acting finance minister, "but now we have to compete with other former Soviet states, and with more successful countries like Poland, Hungary and the Czech Republic. Investment has a wide choice."

Choosing Russia - on the part of Russians as well as foreigners - will be the critical decision of the rest of this decade.

Angstrom is among the most successful companies in Russia. It epitomises, in almost textbook form, what privatisation is supposed to do - although it owes its progress to more than privatisation alone.

Founded in the 1960s, Angstrom was a leader in the Soviet Union's belated efforts to catch up with the US in micro-technology for space and defence programmes. It was the leading centre in the "silicon valley" town of Zelenograd, 25 miles from Moscow, with more than 6,000 scientists and researchers working in the fabrication plant and an associated institute.

Two years ago, it became clear to Valery Delkhuyzen, the director, that its days as a protected state enterprise were numbered. Before privatisation got under way, he began seeking new markets - then

OBSERVER

Glad-handing philanthropist

■ Grzegorz Kolodko, Poland's energetic new finance minister, is slap in the middle of a major reshuffle designed to bring new blood into the economic ministries. Still, he found time to squeeze in a snack this week with George Soros, the peripatetic philanthropist and financier. Oddly enough, before present was Jerry Olszyski, himself a former finance minister - from the Freedom Union party, which led the last government - even though his party, now in opposition, poured scorn on Kolodko's strategy in a parliamentary debate.

Olszyski may simply have been putting in a good word for Wojciech Miszaj, the interim deputy finance minister, whom Kolodko has just sacked.

Miszaj has a reputation for being the only person in Poland able to put together a budget, handle subsequent borrowing from the International Monetary Fund, and keep the state purse strings firmly closed against hectoring politicians desperately seeking funds for their constituencies.

Miszaj served five finance ministries including Olszyski's; all of them felt him indispensable - except Kolodko. Maybe Kolodko was preaching the virtues of Miszaj to Soros, who, apart from his philanthropy in central and eastern

Europe - has seen his Quantum fund recently invest \$130m in the area. Or maybe Kolodko himself was after a job...

A to Zoo

■ Standard Chartered had its own codename for the inquiry into its misdeeds in the Hong Kong securities markets which led to a ban on its taking part in flotations until next April. The name was Hippo, after the Initial Public Offerings (IPOs) which it was helping to ramp. Given its tendency to get into this sort of scrape, which exotic species will we hear of next?

Get real

■ Brazil's army has taken to the streets again, but the troops and armoured cars on display are this time guarding the country's new currency rather than planning another coup.

The currency, the Real, comes into force tomorrow and the Central Bank has called in the army to ride shotgun as it distributes the newly minted notes and coins to state and private banks. The exercise has proved to be one of the country's biggest security exercises since Brazil's criminals specialise in mass hold-ups of armoured cars. Although the changeover has gone reasonably smoothly, the army may still be asked to restore public order next Monday when



"What would happen if the man who tells Raiffeisen not to negotiate couldn't get to work?"

many Brazilians will have their first chance to change their old notes for new. The problem is that the banks, the stock exchange and indeed the whole country will close in the afternoon because that's when Brazil is playing in the next round of the World Cup.

Sense of schnell

■ The London Stock Exchange's regulatory new service is always being blamed for being late with the news. But for once it excelled itself yesterday. It announced the name of Edgard Reuter's successor

at Deutscher-Benz a few minutes before it should have done. Despite everyone knowing that Jürgen Schrepp was going to get the job, the stock exchange was forced to cancel its earlier announcement because the decision on the successor "had not yet been agreed". Twenty-one minutes later, Schrepp got the job. Those Germans move fast when they have to.

One man, one vote

■ Nice to see Geoffrey Maddrell, chairman of ProShare, add another chairmanship to his growing portfolio. Not only is MacDonald Martin Distilleries the official supplier of malt whisky to the Observer column, but it is one of the dwindling band of companies where some shareholders have limited voting rights.

As Maddrell is chairman of a pressure group which champions the cause of little shareholders, Observer will be most upset if he doesn't get rid of this inequity in time for next year's agm. If he doesn't, Observer may have to take its custom elsewhere.

Hemmed in

■ The onward march of female feet along the House of Commons corridors of power continues. Following in the steps of Betty Boothroyd, the first woman

Speaker, the Rev Phyllis Bates yesterday became the first woman to lead the traditional prayers held at the beginning of every sitting.

The irony was heightened by the presence on the front bench of John Gummer, the environment secretary and former member of the Church of England general synod, who recently converted to Roman Catholicism because of his opposition to women priests.

Snubbed again

■ Fresh evidence of the declining influence of Britain's trade unions: the Transport and General Workers have not been invited to name a representative to the government's consultative panel on badgers and bovine tuberculosis this year. Agriculture minister Giffan Shephard says that only those organisations with a clear and direct concern in the problem need to be represented; she obviously forgotten that farm workers are members of the TGWU.

Lost youth

■ Signs of the times. The nine-year-old daughter of a colleague was puzzled on being told that her mother would be late because of the rail strike. "What's a strike, mummy?" she said. Who says Mrs Thatcher didn't make a difference?

Bonn outlines modest EU presidency agenda

By Philip Stephens and Quentin Peel in London and Michael Lindenmann in Bonn

Mr Klaus Kinkel, the German foreign minister, yesterday set out a modest programme for the country's six-month presidency of the European Union, which begins tomorrow, insisting that it was no further than what was agreed by all other member states.

"We will do everything in our power to promote the cause of Europe in this limited period," he told the Bundestag, the German parliament's lower house, in Bonn. But he added: "The German image of Europe is identical with that of our partners."

Mr Kinkel's conciliatory comments came as Mr Douglas Hurd, UK foreign secretary, sought to draw a line under the row between London and its partners

over the Commission presidency by suggesting that "five or six" new names were now being discussed as an alternative to Mr Jean-Luc Dehaene, the Belgian prime minister. All were "broadly acceptable", he said.

Mr Kenneth Clarke, UK chancellor of the exchequer, took the same tack by stressing Britain's decision to veto the appointment of Mr Dehaene did not fore-shadow a decisive shift in Britain's commitment to the EU.

Mr Clarke, in a speech that angered Tory Euro-sceptics, emphasised his personal support for the event and economic and monetary union and said the government was prepared to see a successor to Mr Jacques Delors committed to deepening as well as widening the Union.

The speech in Bonn, to the Konrad Adenauer foundation, also failed to persuade many in

his Christian Democrat audience that Britain's pledge to remain "at the heart of Europe" would be matched in practice.

Diplomats in Brussels are mentioning three names for the presidency: Mr Felipe Gonzalez, Spanish prime minister, Mr Anibal Cavaco Silva, his Portuguese counterpart, and Mr Giuliano Amato, former prime minister of Italy.

Meanwhile, in a further effort to ensure that Anglo-German relations do not suffer protracted damage as a result of the clash at Corfu, Mr Kinkel denied that there was any link between Germany's moves this week to ban British beef imports and Britain's veto of Mr Dehaene.

Search for Delors successor moves south, Page 2
Clarke enrages Euro-sceptics, Page 10

Hong Kong legislators back plan to broaden franchise

By Simon Holberton in Hong Kong

Governor Chris Patten's controversial proposals for political reform in Hong Kong were approved by the colony's Legislative Council (LegCo) last night, after a long debate characterised by intense lobbying by opponents and supporters alike.

LegCo approved Mr Patten's legislation, which seeks to broaden the franchise in elections this year and next, by a margin of 32 to 24 in a vote which brings to an end almost two years of debate in Hong Kong about the proposals.

China, which objected as much to the manner in which Mr Patten announced his plans in October 1992 as to their content, made it clear ahead of the vote that LegCo's deliberations would not affect Beijing's determination to hold fresh elections after China's resumption of sovereignty in 1997. Last year, Britain and China failed to agree about how Hong Kong's remaining elections under British rule should be conducted.

However, the repetition of the threat did not prevent pro-British legislators participating in the vote. Neither did it appear to prevent senior Chinese government officials from lobbying individual legislators to support amendments proposed by the Liberal party, a pro-business conservative group, which were designed to water down the bill.

In addition, there were indications yesterday that Beijing may move to resolve outstanding issues with Britain over Hong Kong's transfer. British officials expect that China may today settle seven-year negotiations over the transfer of military land.

Mr Patten's victory was signalled earlier in the night when the Liberal amendments were voted down by 25 votes to 28. Two members of the 60-strong legislature abstained, meaning that Mr John Swain, the speaker, was not required to use his casting vote.

The two members, Mr Martin Barrow, a director of Jardine Pacific, and Mr Simon Ip, the legal profession's representative, had both intended to vote for the Liberals but changed their minds at the last moment.

Mr Barrow, who was closely involved in devising the Liberal amendment, said he abstained so that "the scales could be tipped by people whose home has been and will be Hong Kong for generations to come". He saw the governor on Tuesday afternoon.

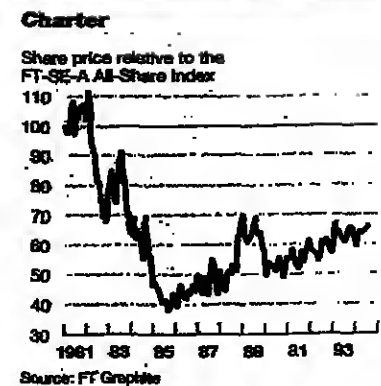
Earlier in the day Mr Allen Lee, Liberal leader, said that no one believed the governor's electoral arrangements would survive the transition to Chinese rule. "Only an idiot would believe that," he said.

Editorial Comment, Page 17

THE LEX COLUMN

Enterprise initiative

FT-SE Index: 2946.3 (+37.3)



In detail, investors were offered little by way of segmental information yesterday.

For Charter to justify its new premium rating, Esab's operating margins will have to be restored to double digits within a couple of years. With the economic cycle moving in its favour - and allowing for some rationalisation benefits - that is not an impossible task. But Charter must deliver handsomely on its promise to satisfy the City's high expectations.

Daimler-Benz

By the yardsticks used to measure the performance of chairmen of quoted companies, at least outside Germany, Mr Edvard Reuter's tenure at Daimler-Benz has not been a success. Daimler-Benz's shares have dropped by nearly 40 per cent since their historic high point in late 1986 (when Mr Reuter was still finance director), while the DAX index of Germany's 30 leading shares has risen by 35 per cent. Diversification over that period has yet to produce shareholder value. Following a spate of acquisitions, turnover climbed from DM65.5bn in 1986 to DM97.7bn last year, while pre-tax profits plunged from nearly DM6bn to a loss of DM1.8bn.

This is the background against which Mr Reuter will step down from the management board next May. His successor is to be Mr Jürgen Schrempf, currently the chairman of Daimler's Deutsche Aerospace subsidiary. He is the continuity candidate at a time when a fresh approach might have been more welcome.

Although Mr Schrempf is an enthu-

siastic cost-cutter himself, he is closely identified with the strategy of creating an "integrated technology group". By end of the century, Dasa may well be making a profit to rival the contribution of Mercedes, but the diversification strategy is still a question of "jam tomorrow".

UK property

The latest uptick in the gilts market, some bullish forecasts for commercial property values, and the purchase of a big City office block by a German investment fund have breathed some life into property shares. Leading property companies yesterday outstripped the FT-SE 100 index with British Land climbing 5 per cent. After a sluggish performance all year, it would be tempting to assume that property shares may run some more - especially now that most companies have returned to discounts to net asset values.

This year, rising bond yields have diminished property's appeal by narrowing the comparative yield. Higher long-term interest rates have also deterred investors from buying bricks and mortar direct. But at some point, such arguments will lose their force.

If rising gilts yields really do pre-empt the return of inflation then rents should rise more quickly. That in turn promises income growth for property companies, which is the ultimate reason for buying property shares. The theory is fine; the practice may be somewhat different. Many property companies own buildings where tenants pay more than open-market rents. Such portfolios may still not produce income growth for several years.

Currencies

The striking aspect about yesterday's dollar fall is that the effect did not spill over into bond and equity markets. This may be partly because the main movement was against the yen, and can be considered a specific response to Japan's political crisis.

But it also looks as though fears that the US may raise interest rates sharply to defend the dollar are abating, despite the upward revision to first-quarter growth. It would be unlikely, though, for the problem to go away as easily as that. The pressures which brought about last week's turbulence will have to be addressed eventually.

US GDP growth in first quarter revised up to 3.4%

By Michael Prowse in Washington

The US economy grew more vigorously than previously thought in the first quarter, at an annualised rate of 3.4 per cent in real terms, the Commerce Department reported yesterday.

Personal consumption grew at an annualised rate of 5.2 per cent between the fourth quarter and the first quarter, an acceleration from the growth recorded in the second half of last year.

The growth in gross domestic product in the first quarter was initially estimated at an annualised rate of 2.6 per cent and subsequently at 3.0 per cent, before yesterday's revision to 3.4 per cent. Similar upward revisions occurred in the fourth quarter when growth was finally put at 7 per cent, up from an initial 5.9 per cent.

Employment growth figures have also been revised up in recent weeks.

The latest GDP revision is significant because it confirms the economy was growing well above its long-run potential rate of expansion in the first quarter, when output was artificially depressed by a severe winter and the Californian earthquake. Despite the soft tone of recent figures for retail spending and industrial production, many forecasters are projecting growth at or above the first-quarter rate in the present quarter, partly reflecting a rebound of construction and other sectors affected by adverse weather.

If employment data next week are strong, this could put domestic pressure on the Federal Reserve to raise interest rates.

Mr David Hale, chief economist at Kemper Financial Services in

Chicago, said the annualised growth rate was now probably about 4 per cent. Growth was likely to remain above trend for the next two or four quarters.

He predicted that the Fed would raise short-term rates next week by at least a quarter point, possibly by half a point to 4.75 per cent.

The main upward revisions in the first quarter were for personal consumption and business investment. Federal spending and exports were revised down slightly. Broad estimates of inflation were little changed; the "fixed-weight" GDP deflator rose at an annual rate of 3.2 per cent.

In the first quarter, GDP, personal consumption and non-residential fixed investment stood 3.8 per cent, 4.4 per cent and 13.2 per cent above the same period last year.

Dollar hits new low

Continued from Page 1

against the dollar. The dollar closed in London at Y98.765 from Y100.210 on Tuesday. Against the D-Mark it finished at DM1.5825 from DM1.5849. In London, the September long-term future, helped by a successful floating rate note auction, was nearly 0.75 of a point higher. The FT-SE 100 index closed 37.3 points higher at 2946.3. In France, the CAC index rose 10.57 points to 1936.33. In Germany, the DAX jumped 28.04 to 2946.30. Mr Michael Hughes, managing director of BZW Global Economics and Strategy, said "uncertainties about US policy are reducing. The problem looks nearer to being solved".

Arafat to visit Gaza

Continued from Page 1

notice, Mr Rabin's spokesman said last night: "Israel has no objection in principle to an Arafat visit to Gaza... but now we are concerned with the timing of the visit."

One problem, which could delay the visit until Sunday, is that the Rafah crossing is usually closed on Saturday, the Jewish sabbath, and opening it would need a special cabinet decision - a move which could provoke a political crisis between government and religious groups and parties.

Mr Arafat's decision also took the PLO by surprise. Several senior PLO officials from Gaza and the West Bank were out of the country and were reported to

be scrambling to find flights home in time for Mr Arafat's arrival.

PLO officials said they believed the key to Mr Arafat's decision was a message on Tuesday night from Mr Ahmed Qurei, economic minister in the Palestinian self-rule authority, that agreement had been reached in Washington on releasing more aid to the Palestinians.

Mr Qurei had apparently managed to increase monthly disbursements from a special fund from \$10m to \$13m.

More than \$720m has been pledged to the Palestinians for the first year of self-rule.

In Israel news of Mr Arafat's impending arrival was greeted by criticism from the rightwing opposition.

FT WEATHER GUIDE

Europe today
A frontal boundary over eastern Europe will bring thunderstorms to Finland, Poland and the Balkan states. Greece and the Balkans will be very hot with maximum temperatures of 35C. It will be less humid and much cooler in Germany, the Low Countries and northern France. High pressure over Holland will promote sunny and dry conditions in a large area of western Europe. The western British Isles and Scandinavia will have rain. Southern Europe will be hot and sunny. Italy will have thunderstorms.

Five-day forecast
Western Europe will have another warm spell. France and Germany will be almost tropical over the weekend with temperatures up to 35C. On Sunday cooler air moving in from the Atlantic will cause more thunderstorms in the Low Countries, Germany and France. Scandinavia will become mostly sunny and dry in the south, while frontal systems in the north will bring rain. Southern Europe will remain warm with thunderstorms in Greece.

TODAY'S TEMPERATURES

Location	Max	Min	Location	Max	Min	Location	Max	Min
Abu Dhabi	31	24	Amman	27	19	Beijing	31	24
Accra	30	24	Antwerp	18	12	Bombay	31	24
Algiers	30	24	Athens	34	27	Brussels	18	12
Ankara	24	18	Bahia	34	27	Cardiff	18	12
Barcelona	30	24	Bombay	31	24	Chennai	31	24
Bombay	31	24	Bombay	31	24	Colombo	31	24
Bombay	31	24	Bombay	31	24	Dubai	31	24
Bombay	31	24	Bombay	31	24	Edinburgh	19	12
Bombay	31	24	Bombay	31	24	Frankfurt	21	14
Bombay	31	24	Bombay	31	24	Glasgow	18	12
Bombay	31	24	Bombay	31	24	Hamburg	18	12
Bombay	31	24	Bombay	31	24	Heidelberg	18	12
Bombay	31	24	Bombay	31	24	London	18	12
Bombay	31	24	Bombay	31	24	Madrid	32	25
Bombay	31	24	Bombay	31	24	Moscow	24	17
Bombay	31	24	Bombay	31	24	Nairobi	28	21
Bombay	31	24	Bombay	31	24	Paris	28	21
Bombay	31	24	Bombay	31	24	Rangoon	32	25
Bombay	31	24	Bombay	31	24	San Francisco	21	14
Bombay	31	24	Bombay	31	24	Singapore	31	24
Bombay	31	24	Bombay	31	24	Stockholm	18	12
Bombay	31	24	Bombay	31	24	Taipei	31	24
Bombay	31	24	Bombay	31	24	Tokyo	28	21
Bombay	31	24	Bombay	31	24	Vienna	28	21
Bombay	31	24	Bombay	31	24	Warsaw	28	21
Bombay	31	24	Bombay	31	24	Wellington	13	6
Bombay	31	24	Bombay	31	24	Winnipeg	13	6
Bombay	31	24	Bombay	31	24	Zurich	18	12

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Without us, it wouldn't be such a firm Favorite.

Car Choice Magazine's "Best Budget Car for 1993", the Skoda Favorit is a formidable competitor. But initially production had to be reined back while Skoda sought brake and fuel lines which satisfied the specifications of new parent company Volkswagen.

One call to Bandy solved the problem - just seventy-five days later, their customised brake and fuel lines started arriving at Skoda's plant near Prague. Fully satisfied by the quality, Skoda appointed Bandy sole supplier for its brake and fuel lines.

These are now delivered from an adjacent satellite plant - "just-in-time" to keep the Favorit racing on.

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OVERSEAS MOVING
BY MICHAEL GERSON
021-446 1300

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IN BRIEF

A revolutionary comes to Daimler

When Mr Jürgen Schrempp walks through the front door of Daimler-Benz's Stuttgart headquarters in May to take over as chairman, he is likely to be as revolutionary in Germany's biggest industrial group as he has been at its aerospace subsidiary. Page 20

Ford-Werke set to leave the red
Ford-Werke, the German subsidiary of the US motor group, said it would move out of the red and return a profit of at least DM100m (\$61.3m) this year but warned that the German car market was making a tentative recovery. Page 20

Volvo pays the price
Volvo's vehicle development programme was set back by more than six months when its plan to merge with France's Renault failed, according to Mr Bert-Olof Swenholm, chairman of the Swedish vehicle manufacturer. Page 20

Montedison out of the woods
Montedison, the Italian agro-industrial, chemicals and energy group, has begun to overcome the heavy legacy of debt and alleged mismanagement which brought it to its knees last year, according to its board. Page 20

Trizec's assets threatened
Trizec's senior creditors have threatened to seize the Canadian property developer's assets. Page 21

Caterpillar moves forward
Caterpillar, the US heavy equipment and machinery company, has been returning to strength on the back of the US economic recovery, with sales and the share price rising. Page 21

Derivative spin-off from Lismo bid
If Enterprise Oil's £1.7bn (\$2.85bn) hostile bid for Lismo, its fellow UK oil explorer, proves successful, one spin-off will be the creation of the third largest issue in the developing UK warrants market. Page 22

Cathay Pacific's troublesome baggage
For an airline which is the envy of its peers as one of the few international carriers still making a profit, Cathay Pacific is carrying a lot of troublesome baggage. Page 22

Fragile cover for HK listing
Luyang Glass, China's biggest manufacturer of float glass and the first of the second wave of Chinese companies to list in Hong Kong, has had its HK\$912.5m issue subscribed just 1.02 times. Page 24

Acquisitions help Asprey rise
Acquisitions helped Asprey, the UK jewellery retailer which also owns Garrard and Mappin & Webb, raise pre-tax profits by almost 15 per cent. Page 25

Warburg still the tops
SG Warburg Securities is the top rated London research house for the fourth year running in the annual Euxel survey of research analysts. However its winning margin was smaller than a year ago. Page 30

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Chief price changes yesterday

FRANKFURT (DM)		
Basf	933	+ 17.5
Bayer	300	+ 12
Boehringer	528	+ 14
Deutsche Bank	680	+ 20
Deutsche Telekom	645	+ 7.5
EWG	890	+ 50
NEW YORK (\$)		
Alcoa	40 1/4	+ 1
Chrysler	77 1/2	+ 1
Eastman	40 1/2	+ 1 1/2
Exxon	41 1/2	+ 1 1/2
General Electric	28 1/2	+ 1 1/2
IBM	152 1/2	+ 1
Intel	47 1/2	+ 1
Microsoft	68 1/2	+ 15

LONDON (Pence)		
Admiral	255	+ 10
Anglo	400	+ 15
BAC	701	+ 10
British Land	280	+ 20
British Telecom	714	+ 51
BT	417	+ 16
British Airways	214	+ 27
British Airways	402	+ 15 1/2
British Airways	154	+ 9
British Airways	622	+ 14
MILAN (Lira)		
Eni	286	+ 14
Eni	286	+ 14
Eni	286	+ 14
Eni	286	+ 14
Eni	286	+ 14

Hafslund set to dominate x-ray niche

By Karen Fosell in Oslo and John Ridding in Paris

Hafslund Nycomed, the Norwegian group best known for its radiology products, is paying \$450m for the diagnostic imaging business of US-based Sterling Winthrop.

The seller is Sanofi, the French pharmaceuticals group, which last week announced it was buying the prescription drugs business of Sterling Winthrop, a subsidiary of Eastman Kodak of the US, for \$1.68bn.

Hafslund's move, believed to be the largest acquisition of a foreign company by a Norwegian group, is a big step towards its ambition of becoming the world's leading producer of contrast media, which are used to improve X-ray images.

Hafslund estimates the contrast media market will be worth NRK200m (\$2.85bn) next year. The deal would give Hafslund a 45 per cent share of the US market, where its main competitors are Bristol-Myers Squibb and Schering of Germany.

Mr Svein Aaser, Hafslund president and chief executive, said: "Through this acquisition, Hafslund has achieved its strategic goal of establishing a presence in its own right in the US pharma-

ceutical market, which is the largest in the world, and will thus retain a larger share of the total added value on its products."

The sale also represents an important part of Sanofi's programme of disposals to help finance its \$1.68bn acquisition. Announcing the acquisition of Sterling Winthrop last week, Mr Jean-François Dehecq, Sanofi chairman, indicated some of the businesses were not central to Sanofi's strategy and would be sold.

Following the deal, Sanofi said the effective price of its US acquisition had been reduced to \$1.23bn, supporting its forecast that the purchase of Sterling Winthrop's prescription drugs businesses would raise earnings per share by up to 15 per cent next year.

In 1993 Sterling's contrast media business generated sales of \$480m, Hafslund, which expects to realise annual savings of up to \$20m, said the acquisition would increase its annual sales to about NRK100m from NRK64m in 1993.

The company intends to take up a \$500m syndicated loan to finance the acquisition; its debt-equity ratio rises from 56 per cent at the end 1993 to 72 per cent.

Blockbuster to take control of UK video group

By Martin Dickson in New York

Blockbuster Entertainment, the US video rental group which owns 19.9 per cent of Virgin Interactive Entertainment (VIE), a British video software developer, is to take control of the company by buying a further 55 per cent stake from Mr Richard Branson, owner of the Virgin group, and other shareholders.

Blockbuster said yesterday it intended to sell its entire VIE stake on to Spelling Entertainment, the Hollywood film production company in which it has a majority stake, in return for Spelling shares valued at around \$165m. This will boost its stake in Spelling from around 70.5 per cent to 77 per cent.

Virgin will get around \$125m in cash from the deal and retain a 10 per cent stake in VIE. Hasbro, the toy manufacturer, holds the remaining 15 per cent.

VIE, with sales this year of around \$200m, develops, publishes and distributes video games for leading consumer hardware systems, including Nintendo, Sega and CD-ROM. Its titles include The Seventh Guest - a hit CD-ROM game last year - and it is also releasing games based on Walt Disney animated films.

The acquisition forms part of Blockbuster's efforts to diversify from video retailing into a broad-based entertainment conglomerate. It bought its initial 19.9 per cent stake in VIE in January, when the British group was contemplating a flotation in the US.

Mr Robert Devereux, who will continue to head VIE under its new ownership, said Virgin had decided to sell a majority stake, rather than float, partly because of poor stock market conditions but mainly because of its view of the future of the games industry.

Virgin believes that the next two or three years will sort out "the companies that dominate the business for the next 10 years". An alliance with Blockbuster, with its marketing and distribution strength, would help Virgin's position as one of the key half dozen players.

Blockbuster has 4,250 retail locations around the world. Spelling produces television hit shows, such as the teenage soap opera Beverly Hills 90210, and also has an extensive film and television library which could be used in interactive games.

Blockbuster and the Virgin group already have a joint venture to build music megastores, which also sell games, in Europe, the US and Australia.

Charter boosted by Swedish purchase

By Andrew Bolger in London and Hugh Carnegie in Stockholm

Shares in Charter jumped 51p to 714p after the UK diversified industrial group made a recommended offer worth £390m (\$600m) for Esab, the Swedish welding products company.

The acquisition, which would more than double the size of the UK group, is the culmination of a restructuring by Charter, which last year unwound its links with Anglo American Corporation, the South African mining group.

Charter is offering £280m in cash for Esab and will assume £130m in debt. The offer is being funded from Charter's cash pile of £156m, plus the £93m proceeds of one-for-four rights issue at 560p per share.

ing profits from £40m in 1993 to £70m last year, they are forecast to recover to £27m this year and £40m in 1995.

Mr Jeffrey Herber, chief executive of Charter, said the acquisition would be earnings enhancing. This is partly because the investment offers a better return on the cash that Charter accumulated last year after it won its independence by selling its stake in Johnson Matthey and then buying out Minorco's holding.

Charter said the consumption of welding products closely follows the economic cycle, and is forecast to grow over the next few years. Esab has reduced its west European workforce by 35 per cent over the past three years, and embarked on a product rationalisation programme.

The UK group is likely to continue the restructuring, as well as looking at ways of using more of Esab's low-cost production capacity in eastern Europe.

Charter made the rights issue to bolster its balance sheet, given the assumption of Esab's debt and a £190m goodwill write-off. Post-acquisition, it will have gearing of about 49 per cent. Analysis, Page 28; Lex, Page 18

The combination of US and German reinsurers highlights reasons behind consolidation of the sector, writes Richard Lapper

Third force emerges in high-risk world



General Re and Cologne Re, respectively the world's fifth and fourth biggest reinsurance companies, have been circumspect in their comments on this week's deal which gives the American company majority control of its erstwhile German rival.

The structure of the deal, valuing Cologne Re's business at an estimated DM2bn (\$1.2bn), is complex. General Re will own a majority and Colonia Konzern, Cologne Re's German parent, a minority of a new Netherlands-based holding company, which in turn will control Cologne Re.

But the long-term implications are much clearer. The deal creates a new and powerful "third force" in the global reinsurance industry, which will challenge the leadership of Germany's Munich Re and Switzerland's Swiss Re.

It also signals further consolidation in an industry where the growing scale of risks, faced by insurance buyers and insurance companies alike, makes size and financial strength all the more important.

From a strategic point of view the new venture makes sense for both parties. Cologne Re was unlikely to obtain the capital it needed to sustain its recent growth from Colonia, now part of Union des Assurances de Paris, France's biggest insurance company.

General Re, which obtains about 85 per cent of its income from the highly developed North American market, has been exploring the possibility of expansion in Europe for several years. In 1991 the group entered into ultimately unsuccessful negotiations to acquire the reinsurance business of Royal Insurance, for example.

Cologne Re, which obtains about 75 per cent of its income from Europe, shares General Re's approach to reinsurance, concentrating on both underwriting profitability and technical proficiency. In addition both companies specialise in the same sectors of the market: relatively high margin "non-proportional" and "facultative" business in which reinsurers have control over premium rates.

Both Munich Re and Swiss Re remain heavily biased towards "proportional" business, in which the reinsurer agrees to accept a set portion of the original premium in return for reinsuring the same proportion of the original risks, less a commission payment.

In non-proportional business the reinsurer agrees to cover a slice of risk, with payments under the policy triggered when an overall loss reaches a certain pre-determined level.

In facultative business the reinsurer provides cover for a single

large risk - such as a chemicals plant or an oil rig - which is simply too big for a direct insurance company. Both types of business demand a higher level of technical proficiency, in areas such as risk assessment and surveying, than is typical in the proportional market.

'The bigger companies are able to point to their balance sheets and that gives comfort to the customer'

The transaction also makes sense in view of trends in the broader reinsurance industry. The position of smaller and medium-sized reinsurance companies has become steadily less sustainable in recent years. This is because of increases in both the scale of risks - claims arising out of natural catastrophes, for instance - and the size of the reinsurer's customers, following rationalisation in the insurance industry which has created bigger companies.

In London many smaller reinsurers

are able to point to their balance sheets and that gives comfort to the customer," says one leading London reinsurer broker.

This has led to consolidation within the reinsurance market. Takeovers have included this month's purchase of Abellio Re, the reinsurance subsidiary of the Victoire group, by SCOR, the growing French reinsurance company. The deal was worth more than FF2.1bn (\$368m).

Other companies - such as leading Scandinavian players Skandia of Sweden, Uni Stora of Norway and Sampo of Finland - have reduced the size of their reinsurance operations or withdrawn from the market. In the Lloyd's market the number of reinsurance underwriters has fallen sharply in recent years and the UK's domestically owned reinsurance industry has shrunk since the late 1980s. Legal & General sold its reinsurance arm, Victory Re, to the Dutch group, NRG, as long ago as July 1990, while other British companies such as M&G Re, owned by the Prudential, and Royal Re have virtually withdrawn from the general reinsurance market.

As one industry analyst says, "There has been a sorting out of the industry, with those companies that offer size, security and capacity coming out on top. The top seven or eight are playing a different game to the rest."

insurance industry, has led some reinsurers to grow in order to diversify their exposure to large-scale losses.

This in turn can reduce the cost of their own reinsurance, purchased in the so-called retrocession (reinsurance of reinsurance) market.

At the same time, reinsurers have become reluctant to place business with companies which have less than £50m in capital, forcing the survivors to seek mergers or other alliances. "The bigger and stronger compa-

TOP 10 REINSURERS		
Company	1992 Premiums (\$bn)	1993 Premiums (\$bn)
Munich Re (Ger)	6.53	7.22
Swiss Re (Sw)	7.22	8.1
Employers Re (US)	3.1	2.36
Cologne Re (Ger)	2.36	2.36
General Re (US)	2.36	2.2
Hannover Re (Ger)	2.2	1.83
Assicurazioni Generali (It)	1.83	1.71
Genling Global Re (Chn)	1.71	1.56
Lincoln National (US)	1.56	1.56
Franklin Re (Ger)	1.56	1.56

Source: Reactions

Enterprise raid takes nearly 10% of Lismo

By Robert Corzine and David Lascelles, Resources Editor

Enterprise Oil raised the stakes in its long-running bid for fellow explorer Lismo yesterday by buying nearly 10 per cent of Lismo's stock from its largest shareholder for cash.

The deal, clinched in a long-awaited raid timed to coincide with the opening of Wall Street, angered other shareholders who are only being offered Enterprise shares and warrants under the terms of the £1.6bn (\$2.43bn) bid.

The raid was intended to wrest advantage ahead of the bid deadline at 1pm tomorrow. A number of UK institutional shareholders in Lismo remain undecided.

Phillips & Drew Fund Management, Lismo's biggest shareholder, confirmed it had sold 77m shares at 165p per share. PDM still holds half of its original 16 per cent stake.

Enterprise bought 9.8 per cent of Lismo shares in two tranches, with 86.8m bought at 165p per share and 7.77m at 161p.

The UK Takeover Panel took no action because Enterprise did not appear to have breached takeover rules, which say a bidder buying shares in the market must offer the same price to all shareholders.

This announcement appears as a matter of record only.

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Parvalind

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INTERNATIONAL COMPANIES AND FINANCE

Montedison chief upbeat on recovery prospects

By Andrew Hill in Milan

Montedison, the Italian agro-industrial, chemicals and energy group, has begun to overcome the heavy legacy of debt and alleged mismanagement which brought it to its knees last year, according to its board.

That was the cautious message given to shareholders yesterday by Mr Guido Rossi, the group's chairman, and Mr Enrico Bondi, managing director.

It was at last year's shareholder meeting that Montedison revealed mysterious losses at offshore subsidiaries, and told shareholders that group losses were 35 per cent higher than originally announced.

The 1993 "hole" in Montedison's 1992 accounts

increased the 1992 group loss to L1,679bn and triggered a series of judicial and financial investigations which are still continuing.

For 1993, Montedison announced a net loss of L1,366bn (\$873m) after extraordinary charges of L1,004bn, including L327bn of write-downs on overvalued real estate.

Mr Bondi said yesterday that the group's net operating profit had increased by 33 per cent in the first five months of 1994, compared with the same period last year, making it possible that Montedison will break even this year.

He and Mr Rossi, who took over as managing director and chairman immediately after last year's meeting, also said investments and restructuring

would cut the group's net financial debt to just under L8,500bn by the end of the year, compared with L15,941bn at December 31 1993.

Mr Rossi thanked the banks which agreed a rescue plan for Montedison and its parent, Ferruzzi-Finanziaria (Perfin), with a L5,400bn refinancing package.

Mr Rossi described the plan, in his letter to shareholders, as "the largest out-of-court financial restructuring in history, in terms of the scale of the indebtedness rescheduled, its geographic dimensions and the number of parties involved".

"Without the participation of the banking system, this group would have gone bankrupt," Mr Rossi told shareholders yesterday.

Volvo head says failed merger hit development

By Hugh Carney in Stockholm

Volvo's vehicle development programme was set back by more than six months when its plan to merge with France's Renault failed, according to Mr Bert-Olof Svanholm, chairman of the Swedish vehicle manufacturer.

But he signalled that the restructured company, now concentrating on its core car and truck making operations, planned to look for acquisitions and partnerships.

"We have certainly lost more than a half-year in the development of Volvo's new model programme through the broken merger with Renault. Now we must raise the tempo," Mr Svanholm told the Swedish business newspaper Dagens Industri.

Under Mr Svanholm, who succeeded Mr Pehr Gyllenhammar after Volvo's withdrawal from the proposed merger last December, Volvo has started selling off its portfolio of non-motor industry interests.

By the end of 1996, Volvo could raise up to \$5bn, strengthening its equity-to-assets ratio to 50 per cent and giving it the financial muscle to develop new models - and look for acquisition opportunities.

"Acquisition of companies can become a reality for all the companies within Volvo's core operations," Mr Svanholm said.

In a veiled criticism of the Gyllenhammar strategy, Mr Svanholm said the SKR18bn (\$3.1bn) Volvo spent on developing its 850-series car was an "immense" sum. "That can hardly be repeated," he said.

The huge cost of developing new models was one of the reasons cited in the pursuit of the merger with Renault.

Mr Svanholm said new partnerships and co-operation alliances were under discussion "the whole time". But he said these must be developed by individual divisions of the company, not the board. "The more I learn about alliances and mergers, the more I understand that they must grow from below," he added.

Daimler faces cultural upheaval

Schrempf's Dasa initiatives could follow him, writes Paul Betts

When Mr Jurgen Schrempf walks through the front door of Daimler-Benz's Stuttgart headquarters next May to take over as chairman, he is likely to provoke a cultural revolution inside Germany's biggest industrial group, as he has done during the past five years at its aerospace subsidiary, Deutsche Aerospace (Dasa).

The chain-smoking, 49-year-old head of Dasa was always seen as a front runner in the race to succeed Mr Edzard Reuter as chairman of Daimler. He was regarded as Mr Reuter's favourite since he was chosen in 1989 to lead Daimler's risky expansion into the aerospace business.

The only other serious contender for the top job was Mr Helmut Werner, 57, the head of Mercedes-Benz, the vehicle subsidiary.

From the beginning, Mr Schrempf brought to Dasa a tough, no-nonsense US management style coupled with a high political profile. This helped him negotiate concessions from unions, lobby his country's political establishment at a time of growing uncertainty over Germany's commitment to new military programmes, and launch a whole series of international alliances, joint ventures and acquisitions to restore Dasa, and Germany, to the forefront of the international aerospace industry.

Unlike many Stuttgart-based Daimler top executives, he has made a point of communicating with his workforce and outsiders in a frank and open way. On Tuesday, he managed to win union agreement for another 10,300 job cuts and six plant closures at Dasa.

Mr Schrempf has never been frightened to speak his mind. At Dasa he would regularly discuss the problems of the industry and his group with his workers over a beer. Before he was asked by Mr Reuter to lead Daimler's role in restructuring the German aerospace industry, he ruffled feathers at Stuttgart when, as head of Daimler's South African operations, he opposed the company's discriminatory employment policies.

Mr Schrempf has always regarded his time in South Africa as one of his most successful achievements at Daimler, which he joined in 1967. Before being given the daunting task of running Dasa, he had spent his career in the group's motor vehicle operations, rising to become number two at the truck division. He also had a stint in the US where he was in charge of a Daimler commercial vehicle subsidiary in Cleveland, Ohio, which he restructured and sold off.

But Dasa has undoubtedly been both Mr Schrempf's and Mr Reuter's biggest industrial gamble. In five years, Mr Schrempf managed to restructure



Jurgen Schrempf: brings a tough, no-nonsense style

ture at breakneck speed the various components of the German aerospace industry absorbed by Daimler into a coherent group which is Europe's biggest aerospace company and the world's number three.

Convinced that collaboration and consolidation was the only way ahead for the aerospace industry, Mr Schrempf forged a strategic alliance with Pratt & Whitney of the US in the aero-engine sector. He also combined his helicopter business with those of Aerospatiale of France to create Eurocopter, brought some Airbus final assembly to Hamburg, and acquired a majority in Fokker, the Dutch aircraft manufacturer.

to give Dasa leadership in the European regional jet business. He is now discussing space and missile alliances with Aerospatiale.

Mr Schrempf was instrumental in getting the Airbus partners to open discussions with Boeing on jointly developing a superjumbo airliner capable of carrying 800 passengers or more.

But Daimler's drive into the aerospace business to turn Germany, in Mr Schrempf's own words, into "an equal partner with the world leaders and no longer a junior partner," has come at a high cost. When he took over at Dasa, the aerospace industry was flying high with record orders for commercial aircraft and a strong defence market. But within a year, both the civil and defence markets slumped into the worst downturn in the industry since the second world war.

Mr Schrempf found himself in the hot seat. Not only did he have to pursue Germany's expansionist ambitions in aerospace, but also restructure the business to adapt to the new difficult circumstances facing the industry.

If there has been a reassessment in Germany and within Daimler of its adventure into aerospace, it has not changed both Mr Reuter's and Mr Schrempf's long-term strategic vision. "I am comfortable with the strategy but the market is very difficult," Mr Schrempf said a few months ago.

Krupp Hoesch reduces interim loss to DM50m

By Michael Lindemann in Bonn

Krupp Hoesch, Germany's second-largest steelmaker, yesterday said it lost DM50m (\$30.6m) in the first six months of this year, compared with a loss of DM234m in the same period the year before, but remained confident it would break even this year.

The Essen-based group lost DM580m last year, dragged down by a DM78m loss in the steel division and a small loss at the engineering unit.

Most of the half-year losses came from the steel division, the only one of the group's six divisions not making a profit, but the company said these losses would be "considerably lower" for the full year.

Orders in the first five months were up 12 per cent on the previous year, and sales had increased by 5 per cent over the same period, Mr Gerhard Cronme, chief executive, told the annual meeting.

As part of ongoing restructuring, the steel division, which represented about 35 per cent of 1993 sales, was last week broken up into four separate companies, each focusing on different steel products.

Ford's German arm sees return to black

By Michael Lindemann in Bonn

Ford-Werke, the German subsidiary of the US motor group, said it would move out of the red and make at least DM100m (\$62.5m) profit this year, but warned that the German car market was making only a tentative recovery.

Mr Albert Caspers, chief executive, said new registrations in Germany were likely to increase by just 2 per cent compared with very high figures the year before.

His comments about the German market reflect those made by Adam Opel, the General Motors subsidiary, which reported a loss of DM500m earlier this week and said only that it hoped for a "dramatic improvement" this year.

Ford-Werke is the largest subsidiary of the US group and includes the Belgian works at Genk.

It exports to 60 countries and lost DM132m last year compared with a loss of DM469m in 1993, but said it made "an impressive three figure million profit" in the

first six months of this year.

Mr Caspers blamed the 1993 losses on lower sales and foreign exchange losses. Turnover in 1993 fell 3.7 per cent to DM21.2bn and was set to increase 10 per cent in the coming year.

Impressive sales of the Mondeo, had helped, and exports to France, the UK and Spain had increased by around 10 per cent.

Ford increased its share of the European car market in 1993 to 11.5 per cent, from 11.2 per cent, and had maintained a German market share of 9.3 per cent.

The company last year set aside DM300m to fund restructuring and said it was unlikely to use all of the sum even after laying off several hundred more of its 43,800 workers this year.

However, the Cologne-based group warned that the good first-half results could not be repeated in the second half, and there was little prospect that the two German factories in Cologne and Saarlouis could increase their capacity above the 80 per cent being worked at the moment.

Den Danske Bank poised to take control of Baltica

By Hilary Barnes in Copenhagen

Den Danske Bank, Denmark's largest bank, is poised to take control of Baltica, the country's largest insurance company, following the failure of the bank and Goldman Sachs, the international investment bank, to find an alternative buyer.

Den Danske Bank already has a 32 per cent stake in Baltica and yesterday announced it has been given an option to acquire a further 23 per cent stake, currently owned by Gefco.

Until last year Gefco was the parent company to Baltica, operating as Baltica Holding.

Danske said yesterday that the intended sale of Baltica had been stopped following a judgment by the Danish Supreme Court at the end of last year.

The judgment appears to mean that Baltica cannot draw a dividend from its life assurance and pension savings arm, Danica (formerly Statensstaten), the formerly state-owned life insurance company which it acquired for DKr4bn (\$642m) in 1990.

UK car-parking group in talks over £700m sale

By David Wighton in London

National Parking Corporation, the secretive UK private company that owns National Car Parks, is in talks which could lead to its sale for more than £700m (\$1.06bn). It is thought a UK institution is proposing to buy the group from founders Sir Donald Gosling and Mr Ronald Hobson and float it on the stock market within three or four years.

The company yesterday issued a statement to the London Stock Exchange which said: "The company has

received an approach which may or may not lead to an offer for all the shares in the company. This approach is being considered by the board and shareholders will be notified as soon as there is anything to report."

More than half the shares are owned by Sir Donald, 65, and Mr Hobson, who started the company in 1949.

In 1986 they sold 28 per cent of the shares to City institutions including Ensign Trust and Royal Insurance.

It is understood they have received a number of approaches in recent years.

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BALANCE SHEET

March 31, 1994

Assets	(in millions of yen)
Cash and due from banks	3,547,849
Call loans	97,824
Commercial paper and other debt purchased	91,600
Trading account securities	177,056
Money held in trust	242,196
Securities	4,063,539
Loans and bills discounted	19,976,490
Foreign exchanges	412,461
Other assets	640,337
Promises and guarantees	175,473
Customers' liabilities for acceptances and guarantees	1,780,100
Total assets	31,236,530
Liabilities	21,215,034
Deposits	1,698,604
Call money	2,456,984
Bills sold	500,500
Borrowed money	1,255,456
Foreign exchanges	49,870
Convertible bonds	27,856
Other liabilities	928,469
Reserve for possible loan losses	287,889
Reserve for retirement allowances	35,810
Other reserves	12,441
Acceptances and guarantees	1,780,100
Total liabilities	30,218,239
Stockholders' Equity	1,018,291
Common stock	311,931
Legal reserve	287,452
Earned surplus	418,907
Net income in the ordinary share capital of SAB has increased by 2,745,742 ordinary shares from 273,821,884 ordinary shares to 276,567,626 ordinary shares.	
Total Stockholders' Equity	1,018,291
Total liabilities and stockholders' equity	31,236,530

STATEMENT OF INCOME

April 1, 1993 - March 31, 1994

Income	(in millions of yen)
Interest income	1,353,986
Interest on loans and discounts	847,034
Interest and dividends on securities	154,159
Fees and commissions	79,915
Other operating income	79,728
Other income	323,426
Expenses	1,797,843
Interest expenses	1,051,586
Interest on deposits	545,195
Fees and commissions	14,176
Other operating expenses	37,565
General and administrative expenses	238,279
Other expenses	458,233
Income before income taxes and others	35,234
Extraordinary profit	5,658
Extraordinary losses	6,066
Income before income taxes	34,826
Provision for income taxes	14,104
Net income	20,743
Retained earnings brought forward from previous year	11,458
Cash dividends	8,823
Addition to legal reserve	1,724
Total unappropriated retained earnings	21,853

Notes: 1. Accumulated depreciation of premises and equipment: 716,353 million yen.
2. Net income per share: 22 yen.
3. All amounts are rounded down to the nearest million.
4. Tokai Bank's fiscal 1993 annual report will be available for perusal at the Bank's London Branch (Buckderry House, Watlington, London EC4M 8EL) from August.

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Reg. No. 49/1962/06 (Incorporated in the Republic of South Africa) ("SAB")

Election to receive final cash dividend of 116 cents per ordinary share ("the election")

Further to the announcements published in the press on 13 and 23 May 1994 regarding the terms of the election and the issue of new fully paid SAB ordinary shares in lieu thereof, SAB reports that allocations of new ordinary shares in SAB were made in respect of 2,745,742 ordinary shares in SAB out of a total possible number of 3,453,798 ordinary shares in SAB, representing a 79.5% issue in lieu of the final cash dividend. Accordingly, the number of ordinary shares in issue in the ordinary share capital of SAB has increased by 2,745,742 ordinary shares from 273,821,884 ordinary shares to 276,567,626 ordinary shares.

The election to receive cash was made in respect of a total of 55,821,263 ordinary shares, resulting in a final cash dividend payment of R65,183,854.96, which includes R411,189.88 for the residual cash dividend payable in lieu of fractions of new SAB ordinary shares, to ordinary shareholders receiving shares.

Lifting
The lifting of the 2,745,742 new SAB ordinary shares will commence on The Johannesburg Stock Exchange and on the London Stock Exchange from the commencement of business on Thursday, 30 June 1994.

Pooling of share certificates in respect of new SAB ordinary shares and posting of cheques in respect of the final dividend and residual cash dividend in respect of fractional entitlements to new SAB ordinary shares.
Share certificates in respect of new SAB ordinary shares and cheques in respect of the final dividend and residual cash dividend in respect of fractional entitlements to new SAB ordinary shares will be posted, in the case of shareholders registered on the South Africa share register, by certified mail and, in the case of shareholders registered on the United Kingdom share register, by first class mail, today.

30 June 1994

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By: The Chase Manhattan Bank, N.A.
London, April 1994

KRW International Inc.
Nom. ITL 150,000,000,000 -
Floating Rate Notes due 1998
Notice is hereby given that from 29 June 1994 to 28 September 1994 the notes will carry an interest rate of 8.075% per annum. Interest payable on 29 September 1994 will amount to ITL 103,181 per ITL 5,000,000 Note and ITL 1,031,806 per ITL 50,000,000 Note.
Agent Bank: Societe Europeenne de Banque, Societe Anonyme
June 30, 1994

INTERNATIONAL COMPANIES AND FINANCE

Senior creditors threaten to seize Trizec assets

By Bernard Simon in Toronto

Trizec's senior creditors have threatened to seize the Canadian property developer's assets unless a group of recalcitrant junior debenture holders drops its opposition to a C\$1.3bn (US\$937.5m) debt restructuring plan.

The junior debenture holders, led by three large US investment funds, are the only group holding out the proposed recapitalisation. However, even if they vote against the plan, their objections may be brushed aside by an Alberta court, whose approval is required for implementation.

Under the plan, control of Trizec would pass from Toronto's Bortman family to Horsham, the holding company controlled by Canadian entrepreneur Mr Peter Munk, and Argo Partnership, a limited partnership managed by New York financier Mr Gerald O'Connor.

Horsham and Argo will together inject as much as C\$1bn into the company. Much of this will be used to provide a cash payment to creditors unwilling to accept Trizec securities.

The senior debenture holders, led by Union Bank of Switzerland and including other European investors, noted in a court affidavit that, despite receiving less than all the principal and interest due to them, they had agreed to allow more than C\$100m to be distributed to junior debt holders.

Votes on the restructuring plan are scheduled for next Tuesday and Wednesday.

The senior debt-holders said they planned to enforce their rights as quickly as possible. "In the event that any class of stakeholders does not approve the plan by the requisite majority",

BellSouth to test new multimedia service

By Martin Dickson in New York

BellSouth, the regional telephone company serving the south-eastern US, announced plans for a trial of new interactive multimedia video services to 12,000 homes in metropolitan Atlanta, Georgia, starting next year.

BellSouth has lagged several other large regional US telephone companies in setting up multimedia trials. However, the plan it announced this week will have one novel element: it will combine existing analog cable television services with more advanced digital video services over a shared network.

The use of analog technology means that customers in the trial area can opt to subscribe to BellSouth's cable television service over their existing cable operators without having to buy the new set-top box required to receive the interactive digital services.

Customers will be able to choose between a 60-channel cable television service and possibly more than 300 digital channels offering services such as games and movies.

"We believe our proposal represents the fastest, most economical and fairest way to make these services a reality," said Mr William Redderson, a senior BellSouth executive.

Telephone companies like BellSouth are forbidden by law from providing cable programming within their own local service region. The company, therefore, plans to lease the cable channels it is setting up to Vanguard Cable, a subsidiary of a Texas-based cable real estate and management company called Prime II Management. BellSouth is acquiring a stake in another Prime subsidiary.

BellSouth has selected Hewlett-Packard, the computer and instrumentation group, to provide interactive video servers for the field trial.

In January, Pacific Telesis, the California telephone company, announced it had selected HP's servers for commercial deployment in four California markets.

Caterpillar recovery hits a snag

A union row is hampering the machinery group, writes Laurie Morse

Caterpillar, the US heavy equipment and machinery company, has been returning to strength on the back of the US economic recovery, with sales and the share price rising steadily since 1992. It is profiting from global expansion in the mining, trucking, construction, and farm sectors, where it has its highest customers.

However, now that Caterpillar's chronic US labour problems have blown up into a full-scale strike, the company's customers may find themselves looking for other suppliers. Komatsu of Japan, Caterpillar's main competitor in equipment, stands to benefit.

Morgan Stanley analyst Mr John Mackin says although the strike "doesn't affect the long-term outlook" for Caterpillar, it is bad business for everyone involved.

The company earned \$345m on sales of \$11.2bn in 1993, a big improvement over the previous year's losses. In the first quarter of this year, it reported earnings of \$182m, five times higher than in the same 1993 quarter.

Wall Street analysts quickly upgraded their earnings estimates, noting that a 20 per cent gain in first-quarter sales reflected not only the sharp upturn in US demand, but an unexpected surge in orders overseas.

Caterpillar, they said, could

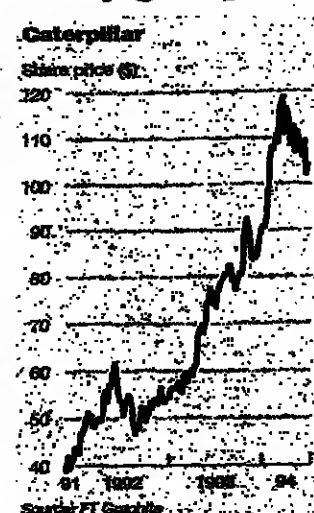
easily earn \$7.50 a share this year, and as much as \$9 in 1995. The company's share price, which has tripled from its 1991 low, is forecast to reach \$140 by the end of 1995. Although rising interest rates have flattened recent share appreciation, they have not dampened Wall Street's enthusiasm for the company.

However, the strike could hit the company's bottom line. The 14,000 United Autoworkers Union (UAW) members who walked off the job last week had been working without a contract since April 1992, when Caterpillar ended a bitter 183-day strike by threatening to hire permanent replacements.

Animosity between the union and the company has grown in the intervening months, with the union building up a strike fund, rumoured to be close to \$1bn.

"This is a classic labour-management struggle and, with no talks planned, its just a question of who blinks first," said Mr John Stark, whose newsletters track the transportation and machinery industries.

The strike was no surprise to the financial community. "We built labour unrest into our credit rating for the company, because they had not been getting along for quite some time," says Mr Tom Carroll, a



fixed-income analyst for Duff and Phelps in Chicago. "Now it's just a question of how long it lasts."

Mr Stark says the most immediate problem for Caterpillar is how to honour long-term supply contracts for its diesel engines.

The company is the second-largest North American supplier of heavy-duty truck engines, and the heavy truck industry is in the middle of its biggest rebound, heading toward annual North American production of 800,000 units.

Caterpillar, so far, has managed to maintain production at

its key Mossville, Illinois, diesel engine plant by manning it with salaried employees and newly-hired workers.

The company has taken on 1,000 employees since September in response to upbeat production schedules, and has accelerated hiring since the strike. The company also claims 3,000 employees, or about 20 per cent of union-affiliated workers, had crossed the picket lines as of Monday. The UAW strongly disputes those figures.

Mr Jeff Hawkenson of Caterpillar says the diesel engine plant is running at full production, and the company is "revising production schedules based on customer demand" in other product areas.

In some of its big machinery lines, Caterpillar could be in a tight spot. The company was struggling to keep up with surging demand long before the strike, putting many products on "allocation", so they would go directly to a buyer rather than sit in dealers' inventories.

One more expensive option would be to use its plants in Europe and Japan to meet US demand. "We have that ability," said Mr Hawkenson. "A lot of machines we make here [in Peoria, Illinois] are also made in Belgium, and the export volume we make in Aurora [also in Illinois] are the same as those we produce in Japan."

Tatra rescue dispute eases

By Vincent Boland in Prague

A management dispute at Tatra, the troubled Czech truck maker, has eased after the company's main shareholders expressed support for its American-led rescue team.

A statement issued after a board meeting yesterday said the Czech investment funds which control 60 per cent of Tatra's equity "expect to reach agreement with [the American management team] for continued involvement with Tatra". Shareholders met on Tuesday from out disagreements over management style.

The team comprises Mr Gerald Greenwald, a former vice-president of Chrysler,

the US carmaker, and Mr Jack Rutherford and Mr David Shelby, two former executives of International Harvester. They were offered a 15 per cent stake in the loss-making truck company last year in return for help in returning it to profit.

Some Czech directors were critical of the management team's commitment to Tatra. They complained it did not spend enough time at the company to justify its continued involvement and its reported \$120,000 a month retainer. Mr Greenwald rejected the criticism, saying the team expected to fulfil its contract, which continues until next March. Mr Greenwald is a candidate

to become chairman of United Airlines. The statement yesterday said that if he took over at the US carrier, he "would probably have a diminished role" at Tatra. The company is to continue hiring senior Czech management "for a transition of operating responsibility", the statement said.

Tatra also said yesterday it had asked the European Bank for Reconstruction and Development to prepare a financial restructuring package. The company has debts of Kcs7.7bn (\$152m) and has plunged into losses since its traditional markets in eastern Europe collapsed after the break-up of Comecon, the former communist trading bloc.

Camdev posts first quarterly profit

By Robert Gibbons in Montreal

Camdev, the surviving company from the 1991-92 collapse and restructuring of Mr Robert Campeau's property and US retailing empire, has posted its first quarterly profit.

Camdev remains a substantial owner of office buildings and land in Ottawa and Toronto. It reported net profit of C\$237,000 (US\$170,921), or 4 cents a share, for the three months ended April 30, against a loss of C\$211,000, or 3 cents, a year earlier. Revenues were little changed at C\$20m.

However, chairman Mr Stanley Hartt, who was a lawyer and chief-of-staff to former prime minister Mr Brian Mulroney, said the profit was mainly due to a C\$1.5m dividend received from a minority-owned California supermarket chain. He said the chain needed to reinvest its cash, and Camdev hoped to sell its 12.8 per cent interest.

For the year ended January 1994, Camdev lost C\$1.5m, or 24 cents, against a loss of C\$13.7m, or C\$2.16, a year earlier. Revenues were little changed at C\$20m.

management and development activities through a new subsidiary, Finreal Properties. Finreal will buy distressed real estate and manage and develop properties for sale. It will finance its acquisitions through the capital markets and eventually be taken public, with Camdev retaining a minority interest.

Earlier this year, the Liechtenstein supreme court dismissed an appeal by Camdev to seize Mr Campeau's Austrian chateau. The company has other litigation outstanding, concerning money it says is owed by Mr Campeau.

US hospital chain admits fraud

By Ken Warr in Washington

National Medical Enterprises, a Santa Monica-based hospital chain, has agreed to plead guilty to making illegal payments to secure patient referrals and pay \$97m in settlement of civil and criminal charges.

The settlement, which follows a three-year federal investigation of NME's psychiatric hospitals, was due to be announced yesterday by Ms Janet Reno, the US attorney general.

As part of the settlement, the group's NME Psychiatric Hospitals subsidiary is expected to plead guilty to six counts of making illegal payments to

secure referral of Medicare patients to its hospitals, and one count of conspiracy to make such payments.

The agreement, which is subject to approval by a federal judge, would be the US's biggest healthcare fraud settlement. Previously, the highest settlement of this type was against National Health Laboratories, which agreed to pay \$11m in 1992.

"This settlement will signify that NME is taking full responsibility for its past conduct in certain of its businesses," said Mr Jeffrey Barakow, chief executive officer. It is not expected to cover individual fraud charges against the company's employ-

ees, the company added.

National Medical said earlier this year it had set aside \$37m to cover a preliminary agreement with the federal government. Talks have continued since then on finalising the details.

The company says it is divesting its psychiatric hospitals as part of efforts to refocus on its core business of acute care.

The Clinton healthcare plan, and its congressional variants, put great stress on cutting US healthcare costs by eliminating fraud and waste. The administration is likely to cite successful settlement of the NME case in the political battle over health reform.

Corning sales growth tops expectations

Corning, the US manufacturing group, beat market expectations with strong sales growth in its second quarter, writes Richard Waters in New York.

The group lifted post-tax profits to \$114m, or 64 cents a share, compared with \$98.8m, or 47 cents a share, in the same period in 1993.

Revenues in the three months to June 19 were \$1.1bn, up 22 per cent from a year before.

However, around half of the growth stemmed from the acquisition last year of Damon, a medical testing company.

Prices for electricity delivered to the consumer (in pence per kWh) for the period 1st January 1994 to 31st December 1994			
Period	Domestic	Commercial	Industrial
1994	17.56	10.76	10.76
1993	16.95	10.38	10.38
1992	15.80	10.29	10.29
1991	15.00	10.30	10.30
1990	12.00	10.38	10.38
1989	12.00	10.38	10.38
1988	12.00	10.38	10.38
1987	12.00	10.38	10.38
1986	12.00	10.38	10.38
1985	12.00	10.38	10.38
1984	12.00	10.38	10.38
1983	12.00	10.38	10.38
1982	12.00	10.38	10.38
1981	12.00	10.38	10.38
1980	12.00	10.38	10.38
1979	12.00	10.38	10.38
1978	12.00	10.38	10.38
1977	12.00	10.38	10.38
1976	12.00	10.38	10.38
1975	12.00	10.38	10.38
1974	12.00	10.38	10.38
1973	12.00	10.38	10.38
1972	12.00	10.38	10.38
1971	12.00	10.38	10.38
1970	12.00	10.38	10.38
1969	12.00	10.38	10.38
1968	12.00	10.38	10.38
1967	12.00	10.38	10.38
1966	12.00	10.38	10.38
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1958	12.00	10.38	10.38
1957	12.00	10.38	10.38
1956	12.00	10.38	10.38
1955	12.00	10.38	10.38
1954	12.00	10.38	10.38
1953	12.00	10.38	10.38
1952	12.00	10.38	10.38
1951	12.00	10.38	10.38
1950	12.00	10.38	10.38

THE "SHELL" TRANSPORT AND TRADING COMPANY, P.L.C.

Notice is hereby given that a balance of the Register will be struck on Thursday, 7th July, 1994 for the preparation of the half-yearly dividend payable on the SECOND PREFERENCE SHARES for the six months ending 30th June 1994. The dividend will be paid on 1st August, 1994.

For Transferees to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyd's Bank Plc, Registrar's Department, The Casework, Worthing, West Sussex, BN9 6DA, not later than 3.00 p.m. on Thursday, 7th July, 1994.

Share Certificates: By Order of the Board
London, 30th June, 1994
J.E. Murrell
Secretary

U.S. \$200,000,000 Hydro-Quebec

Floating Rate Notes, Series FY, Due July 2002

Interest Period: 26th January 1994 to 26th July 1994

Interest Amount per U.S. \$10,000 Note due 26th July 1994: U.S. \$241.66

CS FIRST BOSTON Agent

Banca di Roma S.p.A.

US\$200,000,000 Floating rate subordinated loan participation certificates due 2001

Issued by J.P. Morgan GmbH for the purpose of making a subordinated loan to Foreign Branches of Banca di Roma.

The rate of interest for the period 30 June 1994 to 30 December 1994 has been fixed at 5.15% per annum. Interest payable on 30 December 1994 will amount to US\$1,310.23 per US\$10,000 certificate and US\$13,102.29 per US\$100,000 certificate.

Agent: Morgan Guaranty Trust Company
JPMorgan

The Republic of Italy

US \$300,000,000 Floating Rate Notes due 1997

In accordance with the provisions of the Notes, notice is hereby given that the Interest Amounts payable on the next Interest Payment Date 29th July, 1994 will be US\$224.70 for each US\$10,000 Note and US\$6,741.63 for each US\$250,000 Note.

Agent Bank: Bank of America International Limited
30th June, 1994

Up to 15% off electricity

If you're a member of the Powerline scheme, you can save up to 15% on your electricity bill. Call 021 423 3018 for more details.

Powerline

US\$900,000,000 Banca di Roma Floating Rate Subordinated Receipts due 1999

For the period from June 30, 1994 to September 30, 1994 the Notes will carry an interest rate of 6.5% per annum, with an interest amount of US\$128.98 per US\$100,000 Note.

The reference interest payment date will be September 30, 1994.

Agent Bank: BANQUE PARIBAS

DEN DANSKE BANK

US\$100,000,000 Subordinated floating rate notes due 2000

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period from 30 June 1994 to 30 December 1994 the notes will carry an interest rate of 5.25% per annum. The interest payable on the relevant interest payment date, 30 December 1994 will amount to US\$265.88 per US\$10,000 note and US\$2,658.88 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

The Property Finance Sourcebook 1994

The ultimate Property Finance Directory showing exactly who is lending what in property today. Complete with lending criteria and contacts. Absolutely indispensable for anyone interested in UK property. Call 071 495 1720.

Wells Fargo & Company

US\$200,000,000 Floating rate subordinated notes due 2000

The notes will bear interest at 5.25% per annum for the interest period 30 June 1994 to 29 July 1994. Interest payable on 29 July 1994 will amount to US\$42.26 per US\$10,000 note and US\$1,056.50 per US\$250,000 note.

Agent: Morgan Guaranty Trust Company
JPMorgan

SWEDBANK (Sparebankernas Bank)

US\$100,000,000 Subordinated floating rate notes due 2002

Notice is hereby given that the notes will bear interest at 6.31719% per annum from 30 June 1994 to 30 December 1994. Interest payable on 30 December 1994 per US\$10,000 note will amount to US\$321.12.

Agent: Morgan Guaranty Trust Company
JPMorgan

Hutchison Telecommunications Holdings (UK) Limited

£700,000,000 Transferable Loan Facility

Guaranteed by **Hutchison Whampoa Limited**

Arrangers: **Barclays Bank PLC**, **Chase Manhattan Asia Limited**, **Commerzbank Aktiengesellschaft**, **The Hongkong and Shanghai Banking Corporation Limited**, **NatWest Markets**, **Westdeutsche Landesbank Girozentrale**

Co-Arrangers: **Bayerische Hypotheken- und Wechsel-Bank Aktiengesellschaft**, **The Dai-ichi Kangyo Bank, Limited**, **The Mitsubishi Bank, Limited**, **Société Générale**

Lead Managers: **Dresdner Bank AG**, **Hang Seng Bank Limited**

Co-Lead Managers: **The Sumitomo Bank, Limited**, **ABN AMRO Bank N.V.**, **The Toronto-Dominion Bank**, **Standard Chartered Bank**

Senior Managers: **Banca Commerciale Italiana**, **Bank of Scotland**, **The Long-Term Credit Bank of Japan, Limited**, **The Mitsubishi Trust and Banking Corporation**, **Nomura Bank International plc**

Managers: **Bayerische Landesbank Girozentrale**, **Banco di Napoli S.p.A.**, **The Bank of East Asia, Limited**, **Bayerische Vereinsbank AG**, **Citibank, N.A.**, **De Nationale Investeringsbank N.V.**, **Bank of Boston**, **Banque Paribas**, **Canadian Imperial Bank of Commerce**, **The Daiwa Bank, Limited**, **KEB (Asia) Finance Limited**, **The Chase Manhattan Bank, N.A.**

Co-ordinators: **Barclays Bank PLC**, **The Hongkong and Shanghai Banking Corporation Limited**

June 1994

INTERNATIONAL COMPANIES AND FINANCE

Spanish financier in write-off move to avoid lawsuits

By Tom Burns in Madrid

Mr Javier de la Rosa, the Spanish financier being sued by the Kuwait Investment Office in connection with the collapse of Grupo Torras, the KIO's Spanish holding company, is to write off his domestic business interests in an attempt to ward off a fresh round of threatened lawsuits.

The lawsuits are being brought by minority shareholders in Mr de la Rosa's loss-making Barcelona investment holding company, Grand Tibidabo. The write-offs, to be unveiled at Tibidabo's general meeting today, are viewed in Madrid as the final chapter in Mr de la Rosa's extraordinary career - a career marked by acquisitions on behalf of the KIO and by a spreading web of investments that turned the 47-year-old businessman into one of the richest men in Spain.

Mr de la Rosa, who resigned as Grand Tibidabo's chairman in May amid growing shareholder hostility, is to sell his 26 per cent equity in the company back to Tibidabo for a token one peseta, allowing a capital reduction that will help Tibidabo clear up its balance sheet.

Mr de la Rosa's stake represents Ptas1.1bn (\$31.6m) on the

basis of the nominal value of the company's shares.

Tibidabo lost Ptas10.9bn last year, a shortfall that took into account provisions for outstanding loans to Mr de la Rosa of some Ptas4.3bn. Under the chairmanship of Mr de la Rosa, the company had declared a 1993 loss of Ptas19m. The dramatically increased deficit followed an audit by Ernst & Young following Mr de la Rosa's resignation.

Tibidabo was created in 1991 by Mr de la Rosa to serve as his own investment vehicle at a time when he was deputy chairman of Grupo Torras. The following year Mr de la Rosa severed his relations with the KIO and Grupo Torras.

In spite of Mr de la Rosa's write-off at Tibidabo, lawyers representing the company's 9,000 small shareholders are understood to be considering legal action against the former chairman after today's annual meeting.

Mr de la Rosa, together with other senior Grupo Torras executives, is already facing lawsuits in Madrid and London brought by the KIO alleging fraud and mismanagement. He is also being investigated by Spain's fiscal authorities in connection with alleged unpaid taxes.

Amcor acquires UK corrugated box maker

By Nikki Tait in Sydney

Amcor, the Australian paper group, has bought the 51 per cent interest which it did not own in Willander Holdings, the UK-based corrugated box manufacturer.

The UK company was originally privately owned by three partners. Amcor acquired a 49 per cent interest in March 1991, and has subsequently expanded operations significantly - adding a second corrugator at its Coalville plant in 1993.

Amcor did not disclose details of the latest purchase, but said its total investment

was around A\$40m (US\$30.7m). Edels Music, the New South Wales-based music group, has made an 11th-hour bid to acquire Brash Holdings, the Australian electronic goods retailer which called in the administrators last month.

Last week, the administrators announced the planned sale of Brash's main assets to companies associated with Mr Ong Beng Seng, the Singaporean businessman, although creditors have yet to give final approval.

Edels said its deal would give creditors a higher return than the earlier offer.

Bid for Lasmo could create warrants worth £105m

If Enterprise Oil's £1.7bn (\$2.58bn) hostile bid for Lasmo, its fellow UK oil explorer, proves successful, one spin-off will be the creation of the third largest issue in the developing UK warrants market. The all-paper offer of shares and warrants would, if the bid is successful, create £105m worth of warrants, on underlying shares worth £612m.

So far this year, the amount of warrants issued on UK company shares has totalled \$8.5bn equivalent, not far behind last year's \$9bn total and far ahead of the \$2bn-odd volume recorded in 1991 and 1992, according to Euronext Bondware. But the UK sector still lags behind the much larger German market, where warrants worth \$24bn have been

issued so far this year, compared with \$27.5bn last year. In essence, these warrants are little different from options: they give the holder the option to buy shares in a particular company at a predetermined price, within a certain period. But warrants differ from listed options, traded on exchanges, and over-the-counter options, which are specially negotiated bilateral agreements, in several ways.

One reason d'être for the market is that for some fund managers, warrants are "qualified assets" - that is, they are allowed to buy them - while options are not. This is because warrants are classified as securities, since they are bearer, freely-transferable instruments which can be cleared either through Euroclear or Cede, the two main European clearing houses, or through one of the domestic clearing systems. Warrants also tend to be long-dated, and to be priced far out of the money (that is, the exercise price is not set close to the current share price).

Within the warrants market itself, the largest issues, such as those by Hanson and BTR in the UK, are launched by the companies themselves. In addition, banks and securities houses often issue "covered" warrants - warrants on individual company stocks, which already exist. They can do this subject to investor demand, provided they have the

approval of the company concerned. A retail investor looking for, say, Nestlé warrants may not care which type he buys, but there are often price disparities. In particular, because covered warrants are often only traded only by the issuing houses, the investor is extremely dependent on that firm's commitment to making a secondary market. Because only one house may be trading that issue, it is also inadvisable to go "short" - because it may be extremely difficult to get hold of the warrants later.

Because of its somewhat esoteric qualities, the market often behaves rather strangely. Warrants often become cheap when the market rallies; at the moment they are quite expensive because the UK stock market has fallen," says Mr Richard Burns, vice-president, at Salomon Brothers. "Prices tend to be slow to react."

The market's liquidity has come in for considerable criticism over the years. "Some banks have issued warrants at the wrong price and have not taken care of their deals in the secondary market and that has given the market a bad name," admitted one warrants trader.

There have also been accusations that some houses issue warrants in order to achieve an impressive position in the league tables, and may not always be able to place the warrants subsequently. Nevertheless, the market's continued growth shows it remains attractive for some investors. Individual warrant issues, for example, may be more liquid than the traded options on an individual stock. "If you want to get exposure to Spain, you could buy stock index warrants: the warrants won't be more liquid than the future, but, if you want a more defensive position than the future, they may be more liquid than the options," said one trader.

In addition, there is what one trader called "operational arbitrage" - more simply, "people like to just write the ticket". For some investors, the process of buying a warrant is attractive simply because it is more straightforward.

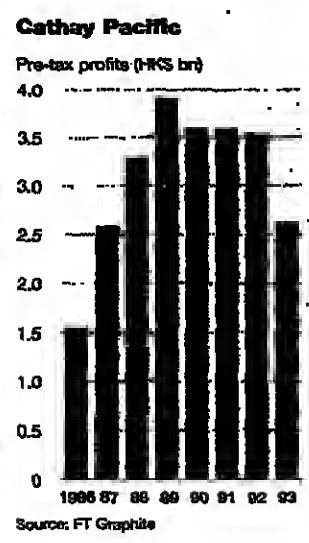
Tracy Corrigan

Political crosswinds catch Cathay Pacific

Operating problems are putting profit margins under pressure, writes Louise Lucas



Peter Sutch: warning on performance this year



Source: FT Graphics

For an airline which is the envy of its peers as one of the few international carriers still making a profit, Cathay Pacific is carrying a lot of troublesome baggage.

Its pilots are agitating for more pay. Spiralling costs and growing competition are squeezing returns. And the airline has been caught in a political row between China and Taiwan, resulting in a reduction of flights and forcing Cathay to publicly denounce adverse speculation about its future as Hong Kong's de facto flag carrier.

Last month, amid mounting stock market concern about Cathay's role under its present ownership after Hong Kong reverts to Chinese control, Mr Peter Sutch, chairman, took the unusual step of circulating a letter from the chairman of John Swire, largest shareholder of Cathay's owner Swire Pacific, which instructed him to "kill this fantasy".

There is a growing suspicion among analysts that after 1997 Cathay will have to take on influential Chinese shareholders. At present the airline is controlled by Swire Pacific, a conglomerate whose credentials are impeccably British. Swire Pacific owns 51.8 per cent of Cathay. Citic Pacific, the Hong Kong-listed subsid-

Smith New Court in Hong Kong.

Cathay is hoping to exercise greater control over wage costs, although inflation and union pressure appear to be eroding its efforts. The threat of industrial action is blurring the horizon as management attempts to thrash out an agreement with pilots.

At issue are pay and productivity. Cathay wants to increase the hours worked by pilots to 700 a year, up from the present 648. Cathay claims it is getting an average of

slightly less than 600 hours a year out of its pilots.

The pilots are themselves disgruntled, and fighting for more money. The airline's highest paid pilots, with around 20 years' experience, receive packages worth a shade under HK\$4m (US\$517,000) a year, among the highest in the world - but newcomers, joining on the "B scale" salaries introduced last April, are earning almost half that of the older hands.

The problem with alienating staff - as Cathay found to its cost last year, after 15 days of industrial action shaved some HK\$240m off profits - is that in the service sector clients remember surly faces and cynical voices.

But the biggest threat to profit margins is spiralling costs. The airline has taken steps to defray operating costs by despatching computer and accounts processing operations to Sydney and Guangzhou.

Mr Peter Sutch, chairman, has warned that the airline's financial performance this year is unlikely to be much better than in 1993, when profits fell 23.3 per cent to HK\$2.39bn.

In the longer term, airline deregulation in Asia is an obvious threat, clearing the way for more competition. So too is the greater capacity afforded by the colony's pending new

airport. The recently launched Virgin Atlantic service between Hong Kong and London is just the tip of the iceberg - the expanding Asia-Pacific is a market most airlines will want to penetrate.

Elsewhere, the airline has been more a victim of circumstance. When the Taiwanese government imposed a ban on tours to the mainland in March - following the murder of 24 Taiwanese on a cruise of Qian-dao Lake - Hong Kong was badly affected. The ban on direct Taiwan-China flights means that the colony is the main point of entry for Taiwanese visiting the mainland.

The Taiwanese government lifted its veto in May, although package tours taking in "high risk" locations remain under boycott. Cathay Pacific has been forced to axe 46 flights.

According to Ms Elisha Cheng, aviation analyst with Lehman Brothers in Hong Kong, the cost to Cathay was HK\$11m in lost revenue for each flight.

However, Cathay sends some 4,500 flights a year between Hong Kong and Taiwan. The real hit will only come if in some way the Taiwanese become afraid to travel to China, forcing Cathay to continue cancelling flights.

Burns Philp buys Indian Yeast stake

By Nikki Tait

Burns Philp, the Australian company which has been concentrating on building up its food ingredients division, is buying a 49 per cent stake in the Indian Yeast Company from Shaw Wallace for an undisclosed sum.

The Indian company has two plants in Calcutta and Bombay, and claims to be the market leader in the country.

Burns said the purchase consideration was small, but that the business augmented its strong presence in the Asia-Pacific yeast market. Burns Philp has a 49 per cent stake in the company.

Bank Commercial, the privately-owned New Zealand-based company which is bidding A\$500m (US\$384.6m) for Foodland Associated, the Western Australian grocery group, will not lodge formal offer documents until a hearing on the Trade Practices Commission's request for an injunction takes place. This is scheduled for July 6.

The TPC, Australia's competition watchdog, is concerned about the involvement of Coles Myers, one of Australia's largest retailers, in the bid. Coles has an option to acquire Foodland's Australian assets for around A\$250m if the Bank offer is successful.

This announcement appears as a matter of record only.

June 1994



U.S.\$500,000,000

Revolving Credit Facility

Participating Banks

ABN AMRO Bank (Sverige) Banque Nationale de Paris
Barclays Bank PLC Citibank International Plc, Sweden Branch
Credit Lyonnais Sweden Credito Italiano SpA - London Branch
Credit Suisse The Dai-ichi Kangyo Bank, Limited
Deutsche Bank Luxembourg S.A. Dresdner Bank Luxembourg S.A.
Royal Bank of Canada Group The Sanwa Bank, Limited
Fnskilda Corporate Svenska Handelsbanken
J.P. Morgan Securities Ltd. Union Bank of Switzerland
Arranger and Sole Agent Arranger and Facility Agent

CITICORP

U.S.\$350,000,000

Subordinated Floating Rate Notes Due November 27, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5.0% in respect of the Original Notes and 5.0875% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date July 29, 1994 against Coupon No. 104 in respect of US\$10,000 nominal of the Notes will be US\$40.28 in respect of the Original Notes and US\$40.99 in respect of the Enhancement Notes.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due October 26, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5.0% and that the interest payable on the relevant Interest Payment Date July 29, 1994 against Coupon No. 105 in respect of US\$10,000 nominal of the Notes will be US\$40.28.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due January 30, 1998
Notice is hereby given that the Rate of Interest has been fixed at 5.0% and that the interest payable on the relevant Interest Payment Date July 29, 1994 against Coupon No. 102 in respect of US\$10,000 nominal of the Notes will be US\$40.28.

June 30, 1994, London
By Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

Commonwealth Bank Australia

Commonwealth Bank of Australia ACN 123 123 124 (successor in law to the State Bank of Victoria)

U.S.\$125,000,000

10-Year Extendible Floating Rate Capital Notes
For the six months 29th June, 1994 to 29th December, 1994
The interest rate will be the rate of 5.125% per annum with an interest amount of U.S. \$259.89 per U.S. \$100,000 Note and U.S. \$2,598.89 per U.S. \$1,000,000 Note. The relevant interest payment date will be 29th December, 1994.

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A consortium consisting of Aurora Enterprises and Development (Proprietary) Limited (Registration Number 010002000) led by shareholders

RESULT OF GENERAL MEETING

FirstCorp Merchant Bank Limited is authorised to announce that the special and ordinary resolutions, necessary to increase WRC's authorised ordinary share capital and to convert the deferred shares into WRC ordinary shares ("the conversion"), were approved by shareholders at the general meeting of WRC held on Tuesday, 28 June 1994. The special resolutions have been registered by the Registrar of Companies. As a result of the conversion, all the conditions precedent to the acquisition by the Aurora Consortium of the entire interest of Gengold Limited in WRC, and also to the offer by the Aurora Consortium to all other ordinary shareholders of WRC to acquire any or all of their WRC ordinary shares, at a price of 565 cents per WRC ordinary share ("the offer"), have been fulfilled. Accordingly, the offer has been declared unconditional and will therefore remain open until 14:30 South African time on Wednesday, 13 July 1994.

The listings of the 1 416 567 new WRC ordinary shares, issued in terms of the conversion, will commence on The Johannesburg Stock Exchange, the London Stock Exchange and the Paris Bourse on Monday, 4 July 1994.

Up to 10:00 on Tuesday, 28 June 1994, 58 shareholders have accepted the offer in respect of 150 204 WRC ordinary shares, representing approximately 4.0% of the WRC ordinary shares in respect of which the offer was made. Cheques in respect of the offer consideration and balance certificates (if any) will be posted to shareholders who have accepted the offer by 18:00 on Tuesday, 28 June 1994, by registered first class mail, at the risk of such shareholders, on Monday, 4 July 1994. The offer consideration and balance certificates in respect of acceptances of the offer received after Tuesday, 28 June 1994 up to 14:30 on Wednesday, 13 July 1994, will be posted to accepting shareholders by registered first class mail, at the risk of such shareholders, within seven days of receipt of acceptances.

Johannesburg
29 June 1994

ITOCORP CORPORATION

Depository Receipts to Be Issued

Issued by Hambro Bank Limited

four depository shares and comprising

40 depository shares of 20 Yen each.

Hambro Bank Limited announces that

Coupon No. 62 representing the divi-

dend due on the underlying shares for

the half year ended 31st March 1994

may be presented for payment in the

usual manner at their Customer Service,

41 Tower Hill, London EC3N 4DA or at

Banque Internationale a Luxembourg

SA, 7 Boulevard Royal, Luxembourg,

on or after 30th June 1994.

The amount payable is Yen 10 per

share (10 Yen per Depository Unit)

less Japanese Withholding Tax as

applicable.

Coupons presented to Hambro Bank

Limited, unless accompanied by an

Indemnification Certificate of Hambro

Bank, will have Unconditional Interest

on the full amount of the dividend of

the Yen 10 on the gross amount of the

dividend less the deduction of Japanese

Withholding Tax.

29th June 1994



United Kingdom

U.S.\$4,000,000,000

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 30th June, 1994 to 30th September, 1994, the Notes will bear interest at the rate of 4 1/4 per cent. per annum. Coupon No. 32 will therefore be payable on 30th September, 1994, at the rate of US\$3,750.00 per Notes of US\$500,000 nominal and US\$115.00 per Notes of US\$10,000 nominal.

S.G. Warburg & Co. Ltd.

Agent Bank

The Nippon Credit Bank (Curaçao) Finance, N.V.

U.S.\$500,000,000

Subordinated Floating Rate

Guaranteed Notes 2000

In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the Interest Period from 29th June, 1994 to 29th September, 1994 is 5.00% per annum. The Coupon Amount payable on the 29th September, 1994 in respect of each of U.S.\$10,000 in principal amount of each note is U.S.\$129.06.

Bankers Trust Company, London Agent Bank

AMERICAN EXPRESS BANK
U.S.\$100,000,000
Floating Rate Subordinated Capital Notes Due 1997
Notice is hereby given that the Rate of Interest has been fixed at 4.875% and that the interest payable in respect of U.S.\$10,000 principal amount of Notes for the period June 30, 1994 to September 30, 1994 will be U.S.\$124.58.
June 30, 1994, London
By Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

U.S.\$300,000,000
Bank of Greece Athens, Greece
Floating Rate Notes Due 1996
Interest Rate 5.425% per annum
Interest Period 30th June 1994 to 30th September 1994
Interest Amount per U.S.\$100,000 Note U.S.\$124.58
Coupon Date 30th September 1994
By Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

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IRISH PERMANENT BUILDING SOCIETY
8 1/2% BONDS 2004
Notice is hereby given that the semi-annual dividend on the Irish Permanent Building Society's 8 1/2% Bonds 2004 is payable on 15th July 1994. The record date for this purpose (as defined in Article 4 of the Terms and Conditions of the Bonds) is 1st July 1994. The Bonds will be divided on 6th July 1994 and payments will be posted on 14th July 1994. Payments will be effected through Bank of Ireland, Creditors Department, 4th Floor, Horse House, Ballsbridge, Dublin 4, who are the Registrar for the Bonds.

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Subordinated Floating Rate
Guaranteed Notes 2000
In accordance with the terms and conditions of the Notes, notice is hereby given, that the interest rate for the Interest Period from 29th June, 1994 to 29th September, 1994 is 5.00% per annum. The Coupon Amount payable on the 29th September, 1994 in respect of each of U.S.\$10,000 in principal amount of each note is U.S.\$129.06.
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COMPANY NEWS: UK

Eastern Electricity falls slightly to £177m

By Michael Smith

Eastern Electricity said yesterday it was seeking permission from shareholders to buy back up to 14.9 per cent of its shares as it announced a 3.5 per cent fall in pre-tax profits.

Mr John Devaney, chief executive, said this would give the company greater flexibility but it had not yet decided whether to buy back more shares on top of the 5 per cent already bought.

In the year to March 31 profits were £177m (£186m) after exceptional costs of £48.3m (£1.5m credit), of which £38.3m (£13.7m) related to restructuring costs and £26.8m to a premium on repurchasing government debt offset by regulatory income from previous years of £16.8m (£15.2m).

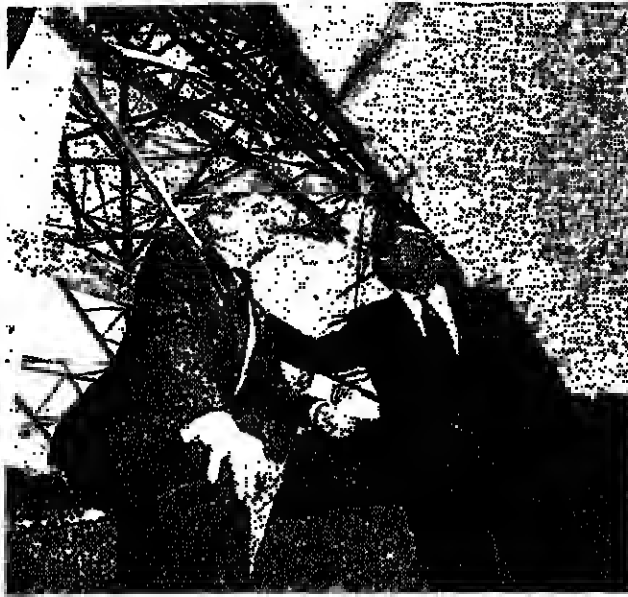
Mr Eric Anstee, finance director, said the restructuring and bond exceptionalism would both enhance future earnings.

The underlying profit was £226m (£182m), he said. This had been achieved through rigorous cutting of costs, which were down by 11 per cent.

Some 640 staff left the electricity business during the year, leaving the total at 5,539. The company expects several hundred more to go this year.

Group turnover fell from £1.92bn to £1.85bn. The board is recommending a final dividend of 16.4p, bringing the total to 23p (19.2p), up 20 per cent.

There was net cash at the year end of £65.3m, compared with borrowings of £143.2m, which gave gearing of 17 per cent.



James Smith, chairman (left), and John Devaney, chief executive of Eastern Electricity

The company is also considering changing its name to Eastern Group to reflect better the widening range of activities.

COMMENT

Once considered the sector dullard, Eastern's star has risen rapidly in the past 18 months as the management belatedly followed others in cutting costs. Taking the most obvious available measure, the company has cut 30 per cent of core jobs since privatisation, probably slightly more than the average rec in spite of the late start. The market also appears to approve the fancy

footwork shown by Mr Anstee, finance director since the end of last year, in redeeming government debt, arranging bond issues and implementing share buy-backs. Assuming a 13 per cent dividend rise this year, yesterday's 27p rise to 614p puts the shares on a prospective yield of 5.3 per cent, near the top of the recs' rating table. Nonetheless, some investment houses feel that in implementing so much change ahead of the regulatory review the company may struggle to impress after it is concluded. Others may be playing a canny game by holding back the best.

Tring Intl scores 56% rise

By Michael Skapinker, Leisure Industries Correspondent

Tring International, the music group which was floated in February, yesterday announced a 56 per cent rise in annual pre-tax profits to £5.2m.

The figure for the year to March 31 compared with £3.3m forecast in the flotation prospectus and a pre-tax profit of £3.3m in 1992-93.

The group said it was negotiating with several supermarket chains to stock its low-priced compact discs.

The arrangement with the Royal Philharmonic Orchestra had also been expanded and the RPO would now record 125 albums on the Tring label, rather than the 50 originally agreed.

The group said it had reached an agreement with JVC, the Japanese electronics company, to distribute its products in China.

Mr Mark Frey, joint chief executive, said legal action against Tring by music companies PolyGram, MCA and K-Tel International was continuing. The three companies are suing Tring for alleged copyright violations.

Mr Frey said settlements of previous disputes had shown that any damages were likely to be small. Tring had indemnities, allowing it to claim any damages and costs awarded against it from the licensors of the music concerned.

Mr Frey said he believed there would continue to be a significant price difference between CDs sold by large companies and by Tring. Tring's CDs retail at £3.99 or less.

Turnover in the 12 months rose by 35 per cent to £22.2m (£16.5m). Earnings increased to £4.6p (5.47p). As flotation only took place in February, no dividend is declared. The first dividend will be an interim for the first half of the current year.

COMMENT

Northern has never been a City darling, and this was, by its own admission, an average result. But it bears closer scrutiny. The company has made the strongest pitch among the recs for the supply market, and is viewed by its competitors as a farcical price cutter. So the fact that it is forecasting a near doubling of supply profits this year suggests that market share is not being bought at the expense of earnings. It has also gone further into gas exploration and production, and is building an integrated gas supply business which will be worth watching. However, the recent strength of the share price owes as much to speculation about a Scots bid as it does to profit expectations. The prospective yield on a 28p dividend after yesterday's 23p gain in the share price to 67p is 4.2 per cent, which is about the average for the sector.

Northern Electric rises 16% and promises cut in price

By David Lascelles, Resources Editor

Northern Electric, which supplies electricity to the north-east of England, promised its customers a price reduction later this year after announcing a 16 per cent increase in pre-tax profits.

The exact size of the cut would depend on the outcome of the regulatory price review, Mr David Morris, chairman, said yesterday. But part of the money will be due to customers anyway because the official price formula overestimated the rate of inflation last year.

For the year to March 31 profits rose from £11.4m to £12.7m. The after-tax result was £8.3m (£8.3m), equivalent to earnings per share of 7.8p (6.3p). A recommended final dividend of 17.45p brings the total for the year to 24.85p (21.45p), a rise of 16 per cent, with earnings cover unchanged at 3.2.

Turnover rose from £882.7m to £1,036m, with most of the increase coming from Northern's aggressive move into supplying large customers outside its area. It now has 9 per cent of this market, including large contracts with Marks and Spencer, C&A and British Rail. Supply profit was £5.8m (£3.7m) and the company sees this rising to £11m next year because of the effects of the price review and further market gains. The improved profits were helped by cost-cutting. Staff numbers were down by 200 over the year, and reductions of that order are foreseen in the years ahead.

Profits from non-regulated businesses also improved, including retailing and North Sea gas which Northern recently entered in partnership with Neste, the Finnish oil company. Mr Morris described diversification ventures as "important pegs in the ground to secure future growth".

Victory parade or a retreat...

Robert Corzine on the closing hours of the hostile bid for Lasso

At 1pm tomorrow Lasso's defence committee of senior executives and directors should be able to discard the trappings of a company under siege.

The "secure" paper shredder, fax and photocopier - the main modern-day weapons of a company defending itself against a hostile takeover bid - can be unplugged after two months of steady frontline service. Down can come the notices dotted around the company's Broadgate headquarters warning staff not to discuss any Lasso business in lifts, lobbies or any public places.

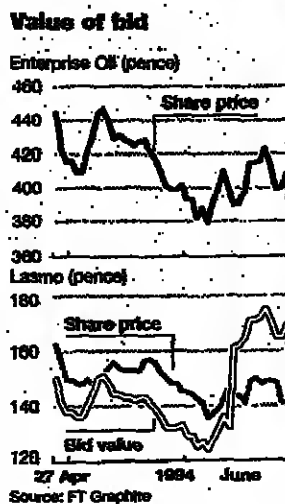
Also due to depart will be a small army of City advisers, who will walk away in the best traditions of mercenary soldiers with £20m to £25m of shareholders' cash regardless of whether Lasso is successful in its defence.

Enterprise has been successful in its defence against Enterprise Oil's £1.6bn all-paper bid.

The only question is whether the departures will take the form of a victory parade or a retreat. And that will depend on the actions over the next 30 hours or so of a relatively small number of UK and US fund managers.

Last night the Lasso defence team was locked in a "council of war" to assess the damage from Enterprise's stock market raid yesterday afternoon, in which it snatched up about 10 per cent of Lasso shares - the maximum that Enterprise was allowed to buy in the market.

The defence committee also had to decide on a course of action for today, when it must make its final presentations to institutions. In the medium term they would bolster cash flow, improve the balance sheet and add a safety margin to the company's ability to pay dividends. The broader asset base would also enhance Enterprise's well-regarded ability to swap and trade assets. That ability was cited yesterday by one of Lasso's smaller institutional shareholders as



Value of bid Enterprise Oil (pence) Lasso (pence)

"No side has hit home with the killer blow," said one fund manager yesterday just before the raid on Lasso shares.

Enterprise has clung to its original position that there is a sound industrial case behind the takeover attempt. But it suffered badly from a clumsy start to the campaign and its initial reluctance to spell out the benefits in detail.

Many analysts dismiss Enterprise's claim that the asset mix of a combined company would be complementary. Some also challenge the claim that Lasso will be unable, in spite of its recent rights issue, to fund all its promising development opportunities - especially in Algeria and Colombia where it has recently announced new discoveries.

What is not disputed is the fact that Enterprise would benefit from the inclusion of Lasso assets. In the medium term they would bolster cash flow, improve the balance sheet and add a safety margin to the company's ability to pay dividends. The broader asset base would also enhance Enterprise's well-regarded ability to swap and trade assets. That ability was cited yesterday by one of Lasso's smaller institutional shareholders as



Graham Hearne, chairman and chief executive of Enterprise Oil

one of the reasons for supporting the Enterprise bid. Lasso has counter-attacked on a number of issues, ranging from Enterprise's accounting standards, dividend policy and record in international exploration. But none appears to have had a decisive effect on shareholders. One UK shareholder which decided yesterday to back Lasso said it was not so much its defence that swayed them, as much as a failure on the part of Enterprise to "make its case".

Lasso's gearing to higher oil prices was another factor cited by some investors as a reason to stick with the company. The argument that Lasso's restructured management team has begun to turn the company's fortunes around with investors.

"It is difficult for the acquirer to convince investors that it will do something more than what the refurbished Lasso management team can do," said one institutional shareholder. Another, however, found little reason to support the continuing existence of two large exploration and production companies. "Lasso

as a company has had its chance," he said. But much of the talk among shareholders before yesterday's raid centred on cash, or the lack of it. Enterprise claimed that its carefully constructed all-paper final offer of 38 Enterprise A shares and 13 warrants for every 88 Lasso shares took into account the concerns of large shareholders in both companies.

A British investor, however, noted that the "missing ingredient is cash... that would have led to a much clearer debate".

That view was shared among investors in the US who up until yesterday held more than 20 per cent of Lasso shares. One US investor said before the raid: "We've told them from day one - cash talks. If they want to put some cash into the bid, fine. If not, we'll take our chances with Lasso. Unless they want to pull a dawn raid, they're out of time."

See Capital Markets

HTV signs local cable TV programme deal

By Raymond Snoddy

HTV, the ITV company for Wales and the west, has signed a deal to make 500 hours of local programmes annually for 140,000 cable homes throughout the Avon cable franchise area.

The two-hour daily programme, described as "local information", is almost certainly the most extensive programming relationship between an ITV company and the cable television industry.

Mr David Treadway, managing director of United Artists Communications, which commissioned the new programme, said yesterday its success would open new opportunities

for other local programming ventures. The project will be produced by Hybrid TV, a six-strong team of young media graduates hired by HTV.

HTV plans to set up two more of the graduate units - one based at Bristol and the other at HTV's Cardiff centre. The programme deal follows the decision by Flextech, controlled by TCI of Denver, the largest cable company in the US, to take a 20 per cent stake in HTV for about £27m.

Earnings moved ahead from 81p to 85.7p. The dividend is up from 27p to 29p with a final of 17p.

Daejan jumps to £19.5m

Daejan Holdings, the property company, yesterday announced a 17 per cent rise in pre-tax profits from £18.7m to £21.6m for the year ended March 31, writes David Blackwell.

Net rental income rose from £16.4m to £19.1m and there was a £7.8m (£6.42m) surplus on sales of trading properties. Operating profits from continuing operations improved from £18.5m to £22.4m.

The surplus on the sale of investment properties improved from £727,000 to £1.8m.

Earnings moved ahead from 81p to 85.7p. The dividend is up from 27p to 29p with a final of 17p.

Restructuring and new products elevate TGI

By John Jeevan

TGI, the designer and manufacturer of loudspeaker products, reported a surge in pre-tax profits - from £408,000 to £1.25m - in the year to March 31.

Turnover rose 5 per cent to £35.8m (£34m). Operating profit expanded to £1.56m (£857,000) and retained profit rose to £894,000 (£278,000), helping reduce the deficit in the profit and loss account.

TGI said the improved performance resulted from the introduction of new products

and the benefits of restructuring. Earnings per share expanded 86 per cent to 5.2p (2.8p) while the total dividend is lifted to 2p (1.5p) via an increased final of 1.4p.

Exports increased to £24.5m (£22m) and accounted for 69 per cent of total sales.

Future prospects were said to be good in the light of the substantial investment made in new products and manufacturing improvements as well as some £1.27m spent on research and development. TGI is also considering strategic acquisitions.

James Finlay shares dip after profits warning

By David Blackwell

Shares in James Finlay, the overseas trading and financial services group, fell sharply to 85p in early trading yesterday following a warning that profits from tea production in Kenya would decline more than expected.

However, the shares later recovered to close at 75p, still down 6p on the day.

Mr Richard Muir, chairman, blamed the effect of drought in the first four months of the year, coupled with inflation and other currency factors.

The group is expecting a tea crop of about 20m kg, compared with an exceptional 23.3m kg last year.

Bluebird Toys graduates to main market

As foreshadowed at the annual meeting last month, Bluebird Toys is graduating from the USM to the main market. Dealings in the ordinary shares and convertible loan stock will commence on July 4.

The directors, headed by Mr Torquill Norman, chairman, have already forecast a rise in pre-tax profits from £1.99m to not less than £6.5m for the first half of 1994.

Earlier this week Mr Norman disposed of 275,000 ordinary shares via a private placing through Smith New Court Securities.

The sale followed the appointment of Mr Chris Burgin as group chief executive and Mr Norman's relinquishment of that role.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Asprey	4.8	Oct 15	4	6.05	5.1
Daejan	17	Oct 3	15	29	27
Eastern Elect	18.4	Oct 5	13.7	23	19.2
Enviromed	0.2	Aug 5	-	-	-
Feedback	1	Aug 15	1.5	1.5	1.5
Heavymet	1	Aug 5	0.8	-	3.8
HS Capital	1.95	-	-	-	7.4
Microtech Inds	2.3	Aug 11	-	7.8	7.4
Northern Elect	17.45	Oct 4	15.15	24.85	21.45
Satellite Speck	0.5	Oct 3	n/l	0.5	n/l
TGI	1.4	Aug 28	1	2	1.5

Dividends shown pence per share net except where otherwise stated. USM stock. Corrected payment date.

PUBLIC WORKS LOAN BOARD RATES

	Quoted loans	Quoted loans	Quoted loans	Quoted loans	Quoted loans
1	5%	5%	5%	5%	5%
Over 1 up to 2	6%	6%	6%	6%	6%
Over 2 up to 3	6%	6%	6%	6%	6%
Over 3 up to 4	7%	7%	7%	7%	7%
Over 4 up to 5	7%	7%	7%	7%	7%
Over 5 up to 6	8%	8%	8%	8%	8%
Over 6 up to 7	8%	8%	8%	8%	8%
Over 7 up to 8	8%	8%	8%	8%	8%
Over 8 up to 9	8%	8%	8%	8%	8%
Over 9 up to 10	8%	8%	8%	8%	8%
Over 10 up to 15	8%	8%	8%	8%	8%
Over 15 up to 25	8%	8%	8%	8%	8%
Over 25	8%	8%	8%	8%	8%

Quoted loans are 1 per cent higher and non-quoted loans are 2 per cent higher in each case than quoted loans. Fixed instalments of principal. If repayment by half-yearly instalments then equal half-yearly payments to include principal and interest. If with half-yearly payments of interest only.

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TANJONG PUBLIC LIMITED COMPANY

(Incorporated in England No. 210874)

NOTICE OF THE SIXTY-SEVENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Sixty-Seventh Annual General Meeting of TANJONG public limited company will be held at 12.00 noon on Friday, 22 July 1994 at the Newman 2, Lower Lobby, Kuala Lumpur Hilton, Jalan Selat, 50250 Kuala Lumpur, Malaysia for the following purposes:

- To receive and consider the audited accounts of the Company and of the Group for the year ended 31 January 1994 and the Reports of the Directors and Auditors thereon;
- To declare a final gross dividend of 5.0 sen per share of 7.5 pence each less Malaysian Income Tax at 30% in respect of the year ended 31 January 1994;
- To elect Mr Loong Wai Hoang as Director of the Company pursuant to Article 74 of the Company's Articles of Association;
- To re-elect Mr Ooi Boon Loong, a Director who retires by rotation in accordance with Articles 76 and 77 of the Company's Articles of Association, as Director of the Company pursuant to Article 74 of the Company's Articles of Association;
- To re-appoint Messrs Price Waterhouse as Auditors of the Company and to authorize the Directors to fix their remuneration;
- To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

David Kook
Shangany Ramamany
Joint Secretaries

30 June 1994

17th Floor Menara Boustead
Jalan Raja Chulan 50200 Kuala Lumpur
Malaysia

Notes:

- A member of the Company entitled to attend and vote is entitled to appoint one or more persons of his own choice to attend and vote instead of him.
- A proxy need not be a member of the Company.
- The form of proxy will be deposited at the Company's Principal Office at 17th Floor, Menara Boustead, Jalan Raja Chulan, 50200 Kuala Lumpur, Malaysia, not less than 48 hours before the time appointed for the meeting or adjourned meeting. Return of a completed form of proxy will not preclude a member from attending and voting personally at the meeting.
- Copies of Documents: Service Documents are available for inspection at the Company's registered office during business hours from 30 June 1994 to 22 July 1994 and will be available for inspection at the place of the Annual General Meeting prior to and during the meeting.

PAN - HOLDING

Société Anonyme - Luxembourg

PAN-HOLDING S.A. LUXEMBOURG

Notice is hereby given that Pan-Holding S.A. has declared a dividend of US\$ 10.50 per share of \$200.- for the year 1993 payable as from 1 July 1994.

The dividend will be payable against Coupon No. 58 from bearer shares of Pan-Holding S.A. which may be presented to Midland Securities Services, Client Delivery, Midland Bank plc, Mariner House, Papey Street, London EC3N 4DA, for payment at the rate of exchange current on the date of payment. Income tax of 20% will be deducted, unless the coupons are accompanied by an Inland Revenue Affidavit.

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COMPANY NEWS: UK

Acquisitions behind 18% growth at Asprey

By Caroline Southey

Acquisitions helped Asprey, the jewellery retailer which also owns Garrard and Mappin & Webb, raise pre-tax profits by almost 18 per cent to £25.4m in the 12 months to March 31.

Although the Asprey business continued to contribute more than 75 per cent of profits and 55 per cent of sales, acquisitions made during the past two years contributed £18.6m to turnover, helping to push the total up by almost 30 per cent, from £144.7m to £187.6m.

On a year-on-year basis sales rose by 16.8 per cent. Mr Naim Attallah, chief executive, said: "Margins are under pressure and we are steadily developing cash-generative businesses to offset our other operations."

He said he intended to pur-

sue organic growth by opening more high-street outlets for Watches of Switzerland and Mappin & Webb.

"Our customer base must be widened so that the effect of future recessions will not be so severe," he said.

Mr Attallah added that since acquiring Watches of Switzerland in June 1992 the total number of outlets has been increased to 32.

In the last financial year a new trading name, Zeus, was launched, aimed at a younger client base and offering a lower price range than Watches of Switzerland.

A Mappin & Webb shop will be launched in Prague in October. An Asprey office had been opened in Hong Kong and the Asprey and Garrard operations were seeking new markets, especially overseas, although the company has for the time being abandoned plans to

open an Asprey store in Shanghai.

Asprey was also considering expanding Les Ambassadeurs, the watch and jewellery retail chain acquired last year. It also bought Ronald A Lee, an antique clocks and furniture retailer.

The company has set up a £20m revolving credit facility with the Bank of Scotland. At the year end net cash was unchanged at £13m.

Asprey shares moved from the USM to the Official List last July after Sears, the retail group, sold its 25 per cent stake in the company.

A final dividend of 4.8p is recommended, making a total of 6.05p (5.1p) for the year.

Earnings per share jumped to 21.13p (14.44p), after an "abnormally low tax charge" due to an over-provision last time.

Lloyd Thompson shares hit by warning

By Richard Lapper

The market value of Lloyd Thompson fell by about 20 per cent yesterday after the insurance and reinsurance broker issued a profits warning.

Lloyd, one of the fastest growing and most profitable London brokers in recent years, said it expected pre-tax profits for the year to June 30 of at least £18m.

Analysts had been expecting more than £19m but the group said investment income would be substantially lower than anticipated owing to sharp falls in the value of fixed interest securities and lower interest rates.

Investment income was expected to be at least £3.6m, compared with £5m last year. Growth in income from core brokerage would be similar to the 3 per cent reported at the interim stage.

The market reacted by marking the shares down 45p to 185p, a drop of nearly 50 per cent since last summer.

The group also announced the purchase of a 49 per cent stake in Triangle Holdings, a Bermuda-based broker, in a deal worth up to \$5.39m (£3.54m). It has an option, exercisable during the second half of 1997, to acquire the remainder as well as the outstanding minority interests in Triangle's two subsidiaries.

Lloyd will pay an initial \$3m in cash with a further profit-related consideration of up to \$2.39m.

Triangle's main subsidiary, Triangle Brokerage, specialises in liability business. Brokerage for the year to December 31 amounted to £2.1m.

Charter welds on fourth leg

Andrew Bolger reports on the offer for Esab, a long-awaited deal

It was with obvious relief that Mr Jeffrey Herbert, chief executive of Charter, was able yesterday to unveil the kind of large acquisition which the market has been waiting for him to make.

The offer for Esab, the Swedish welding company, will more than double the size of the UK group, which in recent years had been focused into three areas - building materials, coal and rail track equipment.

Unscrambling Charter's links with Johnson Matthey and Minorco gave the group its independence - but also the problem of how best to utilise the £156m in cash left after ending the South African connection.

Mr Herbert said Esab was not any kind of basket case, and he did not see this as a turnaround.

Welding consumables, such as rods and fluxes, which comprise 55 per cent of turnover, remained profitable throughout the recent downturn. The welding equipment division, which accounts for 28 per cent of sales, had been losing money but was "now turning".

According to Charter, Esab is the world market leader in welding products, and is either number one or two in five of the G7 countries.

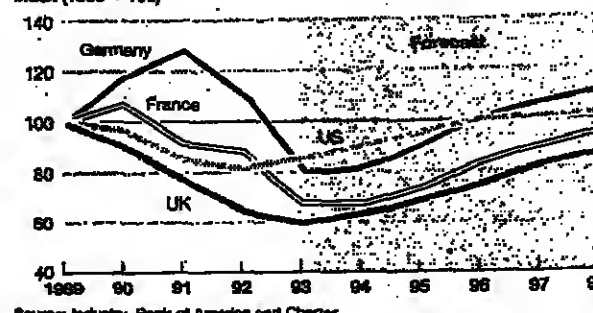
Growth prospects partly come from the economic cycle. The level of welding activity closely tracks GDP growth, and the chart illustrates the forecast upturn in the market.

Weakened competitors are also a factor. Mr Herbert said US rivals had expanded rapidly in Europe in the late 1980s "just the wrong time" and had withdrawn "having had their fingers badly burned".

Charter claims that Lincoln, the US company which is num-

Welding market

Index (1989 = 100)



Source: Industry, Bank of America and Charter

ber two to Esab in world market share, incurred losses of \$134m (£88.1m) in Europe from 1990-93 and now has a heavily geared balance sheet.

Esab also suffered in the recession. Operating profits have collapsed from £40m in 1989 to £7m last year. However, the company forecasts operating profits of £27m in the current year, and analysts expect at least £40m next year.

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Charter claims that Lincoln, the US company which is num-

ment on the Anglo-Saxon model, with executives taking direct responsibility for defined operations. The Swedish company's matrix management system seems unlikely to survive for long in the enlarged group. However, Mr Lars Westerberg, who has been Esab's chief executive since 1990, would remain with the group.

Charter is also keen to discover how transportable Esab products are. The Swedish group has 16 production units located in Europe, North and South America and south-east Asia.

Mr Herbert will examine the scope to utilise excess production capacity in low-cost areas, such as eastern Europe, where Esab has a dominant position.

The quality of output from the eastern European plants was high, he said, so it might be possible to use some of it in more high-cost economies.

Charter would also want to develop Esab's activities in new markets, such as Latin America and east Asia, particularly China. The group has a strong position in Brazil, but so far no presence in China, where it is likely to go for joint ventures.

Mr Herbert said: "We've had the time and access for extensive research and due diligence. As a result I'm convinced this is a business we can grip."

Float values Exco at £215m

By David Wighton

Exco, the money broking group, will be valued at £215.5m at the flotation price of 175p announced yesterday.

The price has been set at 9.5 times last year's earnings with a notional historic dividend yield of 6 per cent.

Mr Ron Sandler, chief executive, said that despite difficult conditions in the new issue market the response from institutions had been good. "We had to spend more time than most companies explaining the business but everyone wanted to see us."

About 43 per cent of Exco's shares are being sold with the

administrator of British & Commonwealth disposing of its final 40 per cent holding. Funds by Gartmore and Robert Fleming are releasing about a quarter of their holdings and a few shares are being sold by staff. There is no new money being raised by the company.

Just over 53m shares are being placed with investors by NM Rothschild.

COMMENT

Exco has forecast a jump in profits to £27.5m (£21.4m) for the six months to June prompting analysts to predict up to £40m for the full year. That puts the shares at the issue price on a multiple of just 8.

Exco has clearly failed completely to change the idea that money brokers are highly cyclical businesses, with a reputation for corporate disasters whose assets can walk out the door. Yet the geographic and product diversity of the big four has improved the quality of earnings while the increasing importance of global operations has raised the barriers to entry. Securities broking may go through a sticky patch in the short-term and there are longer term pressures in foreign exchange. But there are enough new opportunities in areas such as derivatives to compensate. Exco looks set for its second successful flotation.

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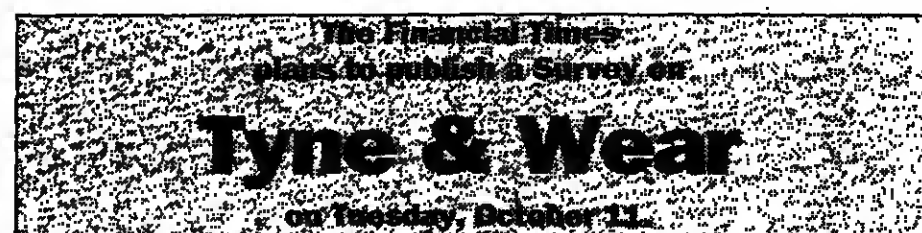
Eastern Electricity is continuing to build on its strengths. Our concentration on making a strong electricity business even stronger by controlling costs, embracing competitive opportunities, and improving customer service is producing real benefits. Our careful development of new business closely related to our core activity is also showing positive results.

Our customers and shareholders are benefiting from our aim to ensure that all our resources are used to best effect. Customers have had the lowest bills in the country with ever improving levels of service, and shareholders continue to enjoy good returns on their investment.

Dr. James Smith, Chairman



Copies of the Annual Report will be posted to shareholders in mid July.
Additional copies may be obtained from the Company Secretary, Eastern Electricity plc, Wharfedale Park, PO Box 40, Wharfedale, Ipswich, IP9 2AQ.
The Annual General Meeting will take place on 9th August 1994 at the Corn Exchange, Wheeler Street, Cambridge at 11 am.
For shareholder enquiries please ring 0345 959697.



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FINANCIAL TIMES
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Financial Times Annual Report Service

OTRA N.V.
Listed on the Amsterdam and Paris Stock Exchanges, OTRA N.V., a SONEPAR DISTRIBUTION company, is the market leader in the field of technical wholesaling in the Netherlands, Germany and Finland, and also active in the United Kingdom, Scandinavia and the Czech Republic.
Consolidated net sales 1993: 3,051 million guilders
Net income 1993: 75.6 million guilders
Net income on equity: 24.5%

Groupe Paribas
Established simultaneously in France and The Netherlands in 1872, Groupe Paribas has evolved into one of the world's leading diversified banking groups, active in nearly 60 countries. Groupe Paribas' businesses are organized around four autonomous, decentralized units:
• Banque Paribas, an international corporate bank;
• Compagnie Bancaire, a group specializing in financial services;
• Credi de Nord, a French retail bank;
• Paribas Affinor Industrielle, which combines all of the equity investments in industrial and commercial companies.

**PINAULT
PRINTemps-REDOUTE**
Pinault-Printemps-Redoute is France's top non-food multiple distribution group, with consolidated sales of FRF 68.3 billion and a workforce of 50,586. A leader in most of its markets, Pinault - Printemps - Redoute owns some prestigious brands and has four divisions: consumer goods distribution, credit and financial services, specialized distribution and international trade. The Group is a major player in the French market, and is one of the leading groups abroad, where it generates 25% of its sales, mainly in Europe.
Chairman of the Management Board: Pierre Heryon

POLIET
The POLIET Group holds a unique position in the building sector. Concentrating on the building materials area, it is both a large manufacturer and a large distributor.
The Group is organized into six sectors:
• Building and Home Improvement Product Wholesaling • Industrial Joinery • Construction Motors • Clay Roofing Tiles • Locks and Hardware • Concrete Products
In 1993, POLIET Group's sales amounted to FRF 19.5 billion.
Joint Stock Company with Executive and Supervisory Boards.
President of the Executive Board: Jean-Gérard CLAUDON.

PRIMAGAZ
Primagaz has been distributing Specially refined petroleum gas (LPG) for 60 years. With 16% of the European continental market and a significant presence in Morocco and Turkey, it ranks first among the leading independent groups in this field.
Group Key Highlights (in million French Francs)
Turnover: 5,329 1993, 5,440 1992
Shareholders' equity, Group share: 2,579 1993, 2,422 1992
Net income Group share: 252 1993, 222 1992
Employees: 3,586 1993, 3,533 1992
LPG volume (in tonnes): 2,183 1993, 2,053 1992

PSA Peugeot Citroën
With its two car companies, Peugeot and Citroën, PSA Peugeot Citroën is Europe's third largest carmaker, with 12.3 percent of the market in 1993.
It has successfully introduced the Citroën Xsara and the Peugeot 306.
Worldwide production totalled 1,751,600 vehicles.
France's leading exporter, with 69 billion French francs in export sales, PSA Peugeot Citroën reported consolidated sales of 145.4 billion francs in 1993.
CHAIRMAN: JACQUES CALVET

ROUSSEL UCLAF
Roussel Uclaf had a watershed year in 1993, as it broadened its shareholder base in France and abroad and strategically refocused its core pharmaceutical business.
These changes further enhanced Roussel Uclaf's existing competitive advantages: an R&D commitment focused on four therapeutic areas (anti-infectious, cardiovascular, oncology, and immunology-inflammation), the sustained globalization of its business activities, the skills of its employees and the financial relations forged with investors for over 25 years.
Thanks to its strengths, Roussel Uclaf reported solid earnings in 1993 and is looking to the future with confidence, even as the pharmaceutical market undergoes major upheaval.

SAINT LOUIS
An international industrial group
• A diversified group
The group aims to boost productivity in all its businesses. The group has the determination and the means to pursue an ambitious growth policy.
• Two businesses: agri-foodstuffs and paper
Through Générale Sucrière, Saint Louis generates a turnover of FRF 6.7 billion and owns 34.5% of Panamint (turnover FRF 9 billion) - ready meals.
Through Arjo Wiggins Appleton, one of the world's top ten paper groups, Saint Louis controls a turnover of FRF 23 billion.

SANOFI
The year 1993 revealed Sanofi's ability to increase earnings amid a strenuous economic context and a radically changing operating environment within the pharmaceutical industry.
This performance is largely attributable to our Human Healthcare division as well as to Yves Saint Laurent and Yves Rocher within our Beauty sector. In the area of Research and Development, major advances have fortified the promising results obtained in recent years.
Key figures in 1993: Global economic presence: FRF 48.4 billion; Consolidated sales: FRF 23.5 billion; Net income*: FRF 1.73 billion.
Chairman and Chief Executive Officer: Jean-François DELBECQ
* including non-operating items, net of tax

SCHLUMBERGER
An international company providing products and services in two areas:
• Oilfield Services, (oil to oil) companies services to enhance their efficiency in all phases of exploration and production of oil and gas reservoirs;
• Measurement & Systems, world leader in manufacturing of water, gas and electricity meters, also provides systems and services for automatic payments and automatic test equipment systems for electronic components.
1993 key figures (\$ million)
Operating revenue: 6,725
Income before cumulative effect of a change in accounting principle: 383
Provision for contingencies: (248)
Net income: 335

SCOR
The Insurer's Insurer
SCOR S.A., the world's fifth largest reinsurer group in terms of shareholders' equity, with over five billion French francs, has confirmed itself over the past few years as one of the most active players in the insurance compartment of the Paris Bourse.
1993 Key Figures
In million FRF
Consolidated gross premiums: 11,646
Consolidated net premiums: 18,225
Net income: 177 (177)*
Shareholders' equity: 5,419 (4,941)*
* (*) Group share

SEMA GROUP
Sema Group is one of the leading European companies in the field of information technology. In 1993, Sema Group recorded a turnover of £502 million, an increase of 20% over the previous year. Sema Group has three linked business areas serving the major sectors of economy: systems integration including a very strong element of consultancy, facilities management and outsourcing and software products.
Main References:
Back Office Software System for the Paris Bourse, Command systems for the Royal Navy type 23 frigates, Total traffic management for the Channel Tunnel, Electronic Data Interchange Systems for the Malaysian Port of Klang.

SIDEL
In 1993 the consolidated turnover for the SIDEL Group stood at FRF 1,806.7 million compared to FRF 1,535.3 million posted in 1992, or an increase of 17.6%. The high rate of expansion is in particular due to the consistent sales of P.E.T. business machines to manufacturers (sales of 40% of total sales), in which SIDEL is world leader 88.3% of consolidated sales were on export markets. The growth was accompanied by excellent net profits of FRF 186.2 million (10.3% of sales), an increase of 20% in relation to those for 1992. 30% of the net profit was paid out, or a net dividend of FRF 9 per share. Placed at FRF 435 on the Paris Second Market in October 1993, and integrated into the SBF 120 in March 1994, SIDEL stock changed to Forward Market on May 25, 1994 at FRF 640.

SOVAC
With over forty subsidiaries, the Sovac Group ranks among France's leading specialized financial services groups, supporting business and individuals with securities, property, and consumer lending, along with savings and insurance products.
FRF 5.7 billion in equity as at 31 December 1993, including minority interests for FRF 0.1 billion; FRF 492 million in 1993 consolidated net income, including minority interests for FRF 13 million; FRF 488 million in 1993 consolidated net operating income, including minority interests for FRF 13 million; FRF 50 billion in managed assets; FRF 39 billion in consolidated loans outstanding; 90 branches in France; 2,000 employees.
André Wermes, Chairman of the Management Board

UAP
As well as being the leading French insurance group, UAP is widely established elsewhere, deriving 68% of its consolidated turnover from outside France (including Vichy's European subsidiaries). Most of this business is in Europe, where UAP ranks as the second largest insurance group.
1993 key figures:
□ Pro forma consolidated premium income: FRF 162.7 billion of which 46% Life and 54% property and casualty
□ Assets managed on behalf of clients: more than FRF 650 billion
□ Consolidated net income: FRF 1,423 millions expended by 32%
□ UAP holds 10% of the domestic market
6.5% of the European insurance

UNIBAIL
Unibail is a major French property company listed on the Paris Stock Exchange and included in the SBF 120 index. Over the last 25 years, it has developed a prime property portfolio composed of Paris office buildings and shopping centres, valued at FRF 7.6bn at the end of 1993.
In 1994, Unibail took advantage of the favourable market conditions to further its strategy of investing in the shopping centre sector, through the acquisition of the property company Erics and the acquisition, from the Soco Group, of most of the property assets of CFI, which is in the process of being finalised.
Unibail offers both domestic and foreign investors a privileged access to some of the finest properties available on the French market.

The Financial Times Annual Report Service is appearing on 28, 29, 30 June & 1 July 1994

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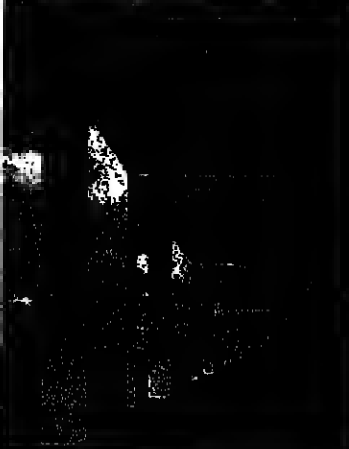

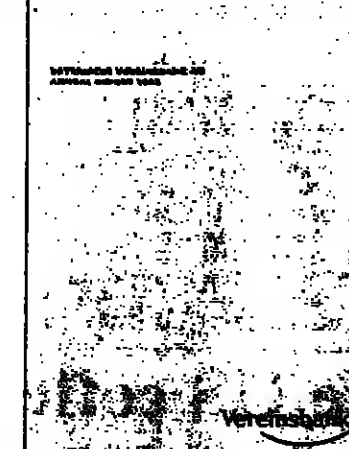



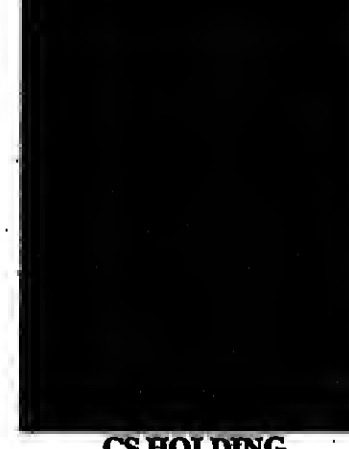

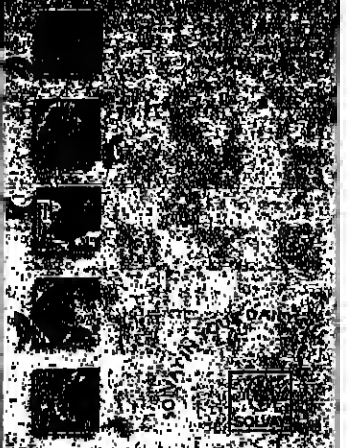

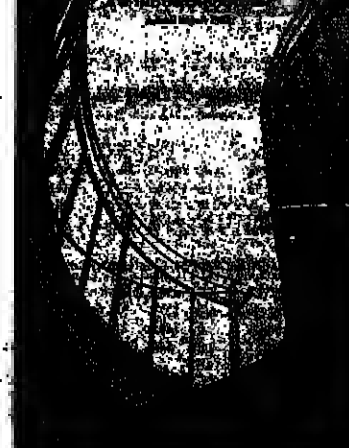
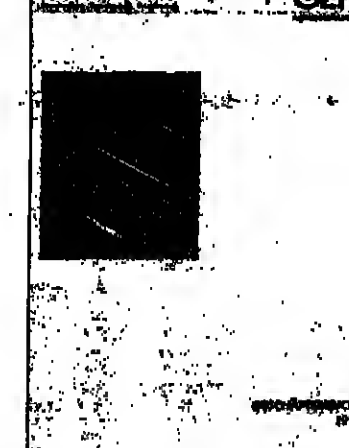
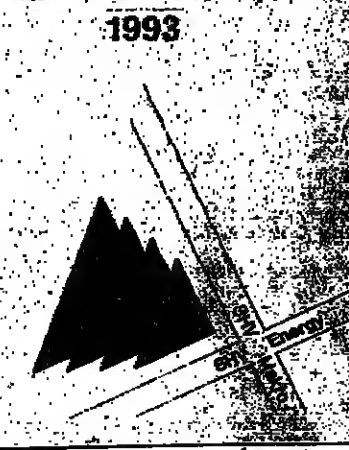



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 <p>Euroc</p> <p>The Swedish-based Euroc Group manufactures mineral-based building materials and distributes construction materials in general. Earnings in 1993 increased 65 percent to SEK 240 million, despite a further sharp downturn in Euroc's principal markets. An important step to structure the Nordic construction materials industry was taken during late autumn when Euroc acquired most of the material-based building material operations belonging in Parac and Metra in Finland. Euroc positions in the Baltic states were strengthened. Earnings in 1994 are expected to be at least as high as in 1993, despite a further decline in the Swedish and Finnish markets. Cash flow is expected to remain substantially positive.</p>	 <p>Canadian Occidental Petroleum Ltd.</p> <p>Canadian Occidental is a global oil and gas exploration and production company and a leading North American producer and marketer of industrial bleaching chemicals. With diversified oil and gas operations in North America, South America, Europe, the Middle and Far East, Canadian Occidental has added more than 270 million barrels of new reserves since 1990. In 1993, production increased by 36% to 92,000 bpd as new projects in Yemen, Ecuador and the North Sea came onstream. Total production is expected to average approximately 150,000 bpd in 1994. The Company is also a low cost producer of sodium chloride, caustic soda and chlorine with recently expanded and modernized facilities.</p>	 <p>Bayerische Vereinsbank</p> <p>For the fourth time in a row, Vereinsbank showed strong earnings growth. In 1993 total operating profit after risk rose by 32% to DM 1,160 mnt, primarily due to the continued high demand for real estate financing. The good result was achieved despite a further increase of the loan-loss reserves by 19.2%. Bayerische Vereinsbank increased its dividend by DM 1.50 to DM 14.50 per common share and paid a bonus of DM 1.50 per share on the occasion of its 125th anniversary. Vereinsbank, with total assets of DM 289 bn is among Germany's five largest private banks and one of the biggest mortgage banks in Europe. Vereinsbank has branches all over Germany and is represented in the major financial and economic centres in Europe, as well as in the US, Japan, Hong Kong, South Africa, South America and the Middle East.</p>	 <p>THE WHARF (HOLDINGS) LIMITED</p> <p>The Wharf (Holdings) Limited is an asset-growth driven conglomerate focusing on four core business areas of property, infrastructure, hotels and communications, with operations in Hong Kong, China, Singapore and the United States. For 1993, turnover was \$346 million and group profit was \$238 million. The Group's investment property portfolio comprises 10 million square feet and will reach 14 million square feet by 1997. Wharf recently became the first Hong Kong-based conglomerate to be assigned a senior rating of 'A' by Standard & Poor's, the same rating as that of the Hong Kong Government.</p>
 <p>BICC Group</p> <p>The BICC Group is an international engineering business which serves the world's markets for infrastructure development in power, communications, transport and building. It has two principal businesses: Balfour Beatty, a leading UK-based construction and engineering company with a significant and growing proportion of its business conducted in North America and the Asia-Pacific Region; and one of the world's largest cable making businesses with substantial positions in all of the world's major regional cable markets. The cables business is managed through regional operations based in Europe, North America, Australia and Asia-Pacific. The Group is dedicated to total quality, technical excellence and the satisfaction of customer need.</p>	 <p>CREDIT SUISSE</p> <p>Credit Suisse, the oldest of the three big Swiss banks, reported a 53% increase in annual profit, from Sfr 955 million in 1992 to Sfr 1,460 million in 1993. In Switzerland, Credit Suisse operates as a full-service bank with a comprehensive range of banking services for private clients and corporate customers. In partnership with Swiss Volksbank it has the most extensive and most closely knit branch network in the country, comprising over 330 outlets. Outside Switzerland, the bank has offices worldwide and is primarily involved in large-scale commercial business and private banking services. Credit Suisse is subsidiary of CS Holding, one of the world's leading financial service groups.</p>	 <p>CS HOLDING</p> <p>CS Holding is a global financial services group dedicated to providing its clients with greater value. Building on the strengths of the Group companies, we have been able to combine our worldwide capabilities to offer clients a single source for all their major financial transactions. The greater value we provide stems from our collective breadth of experience, range of products and services, asset base and global scope. Most important, it is demonstrated in our absolute commitment to our clients, shareholders and employees.</p>	 <p>Aker</p> <p>Aker is one of Norway's largest industrial groups. Its activities encompass cement and building materials and oil and gas technology. Aker holds a strong position domestically in cement and building materials and has a significant international cement business. It is also Norway's leading company in oil and gas technology, with a comprehensive range of services and a growing international presence. Turnover in 1993 increased to NOK 18,143 million. There was a positive development in Aker's results in 1993. The profit after financial items increased to NOK 851 million. Aker had approximately 17,000 employees at the end of 1993 of which 4,300 were employed abroad.</p>
 <p>SOLVAY GROUP A PASSION FOR PROGRESS</p> <p>Solvay is a worldwide chemical and pharmaceutical Group with consolidated sales of about USD 6.8 billion worldwide. The strategy followed by Solvay is to be a world leader in its five sectors of activity - alkalis, petrochemicals, plastics, processing and health, to improve the quality and added value of its products and services through continuous and cost-effective innovation - while also opening new geographical markets for them, mainly in the USA, Asia and Central Europe.</p>	 <p>TELEKURS</p> <p>TELEKURS, based in Zurich, Switzerland, and with subsidiaries in all major financial centres of the world, offers a broad and varied spectrum of services for financial information distribution at the leading edge of technology. TELEKURS have at their disposal the world's most comprehensive securities database. With its services there is almost instant access to all relevant financial data from anywhere in the world. The TELEKURS Group expanded its business in 1993; operating income: Sfr. 525.9 million, cash flow Sfr. 74.8 million.</p>	 <p>AB Industrivärden</p> <p>AB Industrivärden is an industrial holding company which consists of a portfolio of listed stocks worth SEK 10 billion, industrial operations and trading operations with a turnover of SEK 12 billion, and a real estate operation. The holdings in the portfolio of listed stocks are SCA, AGA, Ericsson, Handelsbanken, Skanska and SSAB. PLM is one of Europe's leading packaging companies and concentrates on beverage and food packaging of aluminium, glass and plastic. Industrivärden consists of seven companies in the engineering industry including Besam and Thorsman. Industrivärden is involved in imports and trading with industrial components in Sweden, Denmark, Finland and the Netherlands. Industrivärden manages real estate consisting of office premises with central locations, mainly in the Stockholm region.</p>	 <p>GEA Aktiengesellschaft</p> <p>Strength in the Crisis. The Bochum-based GEA Group boosted orders received in the recession year 1993 by 25% from DM 2,192 million to DM 2,657 million. Sales were up by 25% from DM 2,159 million. This growth is attributable to the acquisition of the Danish NIRO Group. Despite the poor economic situation and the cost of restructuring measures, the net income for the year of DM 74.6 million was down by just barely 9% against 1992 (DM 81.7 million). The operating results rose by 19% from DM 121.2 million to DM 143.6 million. Thanks to the international cyclical recovery, orders received and sales (excluding acquisitions) are expected to increase by 4% and earnings to show a marked improvement in 1994.</p>
 <p>SHV 1993</p> <p>SHV, a Dutch privately held international company, is involved in two main business activities:</p> <ol style="list-style-type: none"> 1st: The distribution of consumer goods under the names Makro, operating worldwide in 14 countries, and Otto Reichelt, a leading supermarket chain in Berlin. 2nd: The trade in energy and raw materials, especially the distribution of liquefied petroleum gas (LPG) under the names Calor, Primagaz, Imragaz, Pam and others. <p>In 1993 SHV's net sales reached GBP 7.7 billion with an income of the Group of nearly GBP 215 million, employing 54,900 people.</p>	 <p>BARLO GROUP</p> <p>Barlo Group is a diversified industrial company with expanding operations in Europe. Its six businesses include plastics and rubber production with operations in the United Kingdom, Belgium and Ireland. All European markets are supplied. Recent development through acquisition of IRG (Belgium/UK/Belgium) and Veba NY (Belgium/UK). Major investment in manufacturing technology provides base for future growth. In 1993/94, revenues increased 96% to IR.297.3m and pre-tax profits by 100% to IR.27.8m. Listed in London and Dublin.</p>	 <p>Southwestern Bell Corporation</p> <p>Southwestern Bell Corporation (NYSE:SBC) provides telephone, cellular, cable TV and advertising services and products to customers worldwide. SBC also holds an interest in Telcel, the Mexican telephone company. From 1984 to 1993, a \$100 investment in SBC stock grew to \$733, a total return of 633 percent. Total return includes stock price appreciation plus dividends. Based in San Antonio, Texas, SBC ranks 34th on the 1994 Forbes list of the largest US companies.</p>	 <p>TELUS Corporation</p> <p>TELUS Corporation is a Canadian telecommunications and information services company, managing assets of \$3.2 billion. Revenues and net income in 1993 were both up at \$1.3 billion and \$181 million respectively. TELUS holdings include Telecentral Communications, which provides joint telephone/cable TV service northwest of London. In Canada, TELUS subsidiaries are leaders in the development and application of fully digital telecommunications networks and services. Other operations include electronic publishing and information systems management services.</p>

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COMMODITIES AND AGRICULTURE

De Beers expected to keep brake on diamond sales

By Kenneth Gooding,
Mining Correspondent

De Beers, the South African group whose London-based Central Selling Organisation accounts for at least 80 per cent of world trade in rough diamonds, gave a clear hint yesterday that it might have given the market indigestion while chalking up record first-half sales of US\$2.58bn.

It described the performance - 1.5 per cent higher than in the same months last year - as "encouraging" but said it cut

supplies to the market in the second quarter because of "a build-up of stocks in the [diamond] cutting centres and continued concerns in respect of cutting-centre profitability".

"There was good demand for some of the larger sizes but evidence of over-production in some categories of small stones. So [sales] were reined in in the second quarter."

Mr Michael Coulson, analyst at Credit Lyonnais Laing, said: "There is no question that demand for diamonds is recover-

ing. But De Beers has been pushing the market too hard. From all parts of the trade we hear complaints about there being too many diamonds and too many diamonds of the wrong sort. There are not enough stones from which the trade can make a profit."

Like some other analysts, he suggested that De Beers would continue to restrict supplies so that its second half sales would be well below those in the first six months. The 1994 full-year total therefore would be not much different from last year's

\$4.26bn. De Beers' profits from diamonds would remain low, he added, and its total earnings would consequently "not be that buoyant".

De Beers yesterday acknowledged that its big customers, who cut and polish gem diamonds, were complaining that their profit margins had been squeezed so hard during the past two years that they were now practically non-existent.

The CSO is to meet a delegation to discuss these problems. A spokesman pointed out that the long recession had

also been painful for De Beers, which had cut production, made 25 per cent of employees at its diamond mines redundant, cut the dividend to shareholders and was having to finance stocks that had risen to \$4m. The international promotional budget had also been lifted from \$150m to more than \$170m.

The group increased rough diamond prices by 1.5 per cent in February last year, the first rise since 1990. Producers were also asked to cut deliveries from previously agreed levels

and De Beers made it clear yesterday that deliveries would remain unchanged at 85 per cent.

De Beers said that in the first half demand for retail diamond jewellery remained stable in the US but was weak in Japan, which vies with the States as the biggest diamond retail market. Demand in other Asian markets was high but it was weak in Europe. There were signs, however, that the economies of both Japan and Europe had "bottomed out".

Cornish tin miner seeks £1m life-line

By Kenneth Gooding

An emotional appeal to investors to provide at least £1m and up to £2.5m to save the last operating tin mine in Cornwall - where tin mining has taken place for more than 2,500 years - was made yesterday by Mr Kevin Rose, managing director of South Crofty, until recently known as Cornwall Consolidated.

"Since the collapse of the tin price in 1985, most of the world's producers have faced enormous difficulties and many have closed. But South Crofty has survived through tenacity, dedication and ingenuity. On many occasions commentators have predicted that closure of the mine was imminent - but we are still here and, with your help, we intend to stay here," he says in a letter accompanying the prospectus carrying details of an offer of South Crofty shares.

This reveals that, if South Crofty can raise the minimum £1m to ensure its survival for another 18 months, the UK government is willing to waive loans to South Crofty made since 1985 totalling £23.3m. The European Commission, which approved the loans, has agreed that can now be written off, "in view of the favourable market situation forecast by market studies".

RTZ, the world's biggest mining company, which sold South Crofty and its sister mine Wheal Jane, to management and employees in 1985, will also forgive its loan of £7.7m. RTZ wrote off this loan in 1986.

Mr Rose is appealing for support particularly from the people of Cornwall and those in the mining industry who have had connections with South Crofty and Wheal Jane, asking for minimum individual offers for £200-worth of shares. He points out that investment in the company is far from a "safe bet" in financial terms.

South Crofty needs a tin price of about \$4,000 a tonne to make a decent profit. The price peaked at \$10,000 in February 1985 and fell to a 20-year low of

\$2,946 in September 1993. At present the price is about \$3,800 a tonne.

The prospectus makes no forecasts but shows South Crofty reported a pre-tax loss of \$42,000 on turnover of \$8.5m for last year, compared with a profit of \$79,000 on \$5m of sales in 1993.

South Crofty employs 280 people and has about three years of demonstrated reserves and at least ten years of identified reserves. Annual output has been about 2,200 tonnes of tin in concentrate, or roughly 1 per cent of world production outside former eastern bloc countries. Ore is trucked from the South Crofty mine 12 miles to the Wheal Jane mill - "one of the world's most efficient tin concentrators" - for processing. All concentrate is shipped for refining to the DKS smelter in Malaysia.

Mr Rose, in his letter, says: "The success of this share issue is vital to maintain Cornwall's last operating tin mine. I am therefore appealing to the hearts and minds of the people in Cornwall and elsewhere to make this issue a success. South Crofty has the natural and human resources, skills and vision to sustain a traditional industry for future generations. With your help we will turn this vision into a reality."

Annual demand for tin could rise by 20 per cent in five years as new products come on to the market, according to Mr. Bess Barry, director of the International Tin Research Institute, reports Renter.

He said products pioneered by the ITRI could add \$5,000 to \$6,000 tonnes to annual consumption. Projects under way included a new tin-zinc alloy for plating car components and several big companies were interested.

Copies of the South Crofty prospectus are available from Mr. Howard Mithunier, South Crofty Plc - Share Issue, South Crofty Mine, Pool, Redruth, Cornwall TR21 3QH.

Continuing frost fears drive US coffee futures to 8-year highs

By Deborah Hargreaves

New York coffee futures powered to eight-year highs yesterday after the close of the London market as traders continued to react to fears about frost damage to the Brazilian crop. The gains were pared back in late trading but analysts thought the bull run still

had farther to go.

"Prices are sky-rocketing," said Ms Judy Jones, sofa analyst at Merrill Lynch in New York, as the September arabica futures contract at the Coffee, Sugar and Cocoa Exchange reached \$2 a pound.

In London trading, the market had revived to finish close to its high point of the day.

The September futures contract at the London Commodity Exchange rose by \$97 a tonne to close at \$3,100 a tonne.

Trading in London was cautious and the market lost some of its early gains by midday. But it was pushed higher again by a strong opening to the New York trading day.

Estimates of the damage to

Brazil's coffee trees put losses for the 1993-94 crop at between 5m and 6m bags out of a total expected harvest of 24m bags.

That's a pretty hefty sum," said Ms Jones.

She said that few roasting companies were willing to part with beans, which was forcing many speculators to scramble

to cover short positions. Traders fear a shortfall in coffee output while consumption continues to rise.

Ms Jones believes that New York prices could easily go up by another 50 cents a pound as a result of the recent damage, with nearby London futures reaching \$3,600 to \$3,700 a tonne.

Latin American producers meet in Brasilia next week, where they could discuss releasing stocks to help alleviate the market tightness. But producer-held stocks are at their lowest level for 14 years, according to trading house E.D. & F. Man, with 65 per cent of them in the hands of Brazil and Colombia.

Peanut power could beef up South American forage

John Madeley on a wild legume that offers a wide range of benefits to farmers on the savannas

A wild peanut, used in parts of South America as a forage for animals, could play a key role in raising the productivity of pasture land, and also help to protect the continent's disappearing forests.

Scientists at the Colombia-based Cali International Centre for Tropical Agriculture, a major research station, say that when the wild peanut is planted with improved grasses on acidic savanna land, it sharply increases the productivity of the land.

Indigenous to Brazil, the wild peanut is called *Arachis pintoi*, and looks like a clover with yellow flowers. It has edible pods similar to the common peanut. Scientists describe it as a perennial legume, or forage peanut legume, which is unusually versatile.

It's a vigorous pioneer," says Mr. Myles Fisher, a Cali scientist. "It tolerates infertile, acid soils, produces lots of seeds and withstands heavy grazing."

The grazing quality of this peanut legume is now attracting the interest of farmers on the vast savanna lands of South America, which cover over 200m hectares, equivalent to the area under crops in sub-Saharan Africa.

In Colombia's Eastern Plains, seeds of the legume were given to a number of farmers in late 1982. Results were dramatic. Cows grazed on a land where the legume was growing with improved grasses gained more than 400kg in a year, compared with only 30kg on native grasses. Milk production was also higher when the legume was planted.

"This grass-legume pasture is more productive than any other combination we have tried," says Mr. Carlos Lescano, a ruminant nutritionist at Cali.

Peanut legumes help to improve the soil's fertility by recycling large amounts of nutrients between plants and soil, which, in turn, maintains productive pastures," says Mr. Gerard

Ketter-Grein, a tropical pastures agronomist.

Cattle like the taste of an improved grass-legume and eat more of it than a grass-only pasture.

Savanna farmers producing beef and milk and having good access to the markets are expected to gain most from planting the peanut legume. Scientists believe that it could help to rejuvenate lost agricultural land, bringing it back into production, and take the pressure off beleaguered forests.

Farmers with unproductive savanna lands that provide only a meagre income often move into forest areas to chop down trees and give themselves more land for pasture. More productive savannas could help to stop this.

"It's a very stable pasture at a high level of productivity," says Mr. Peter Jones, an agricultural geographer at Cali. "There will be no incen-

tive for people to cut more forest. And let's face it, cutting a few hectares of Amazon forest is no fun."

Tempted by the prospect of more productive pastures, however, some farmers may still resort to chopping down more forest to increase their land holdings.

While legislation protecting forests exists in most South American countries it is often not enforced. Mr. Jones believes that if the economy of the savannas is improved, "there would be a better chance of enforcement".

The peanut legume has other qualities that farmers find attractive. It absorbs nitrogen from the air and this acts as a free fertiliser, says soil specialist Mr. Richard Thomas. He estimates that it effectively provides between 40kg and 80kg of nitrogen a hectare a year.

By using the legume, savanna farmers are better able to further improve their profitability by reduc-

ing purchases of nitrogen fertiliser.

By spreading on grassland like a clover, the legume helps to control weeds. And it is "a highly nutritious forage for animals", says Mr. Peter Ketter-Grein, leader of Cali's tropical forage programme.

Farmers could face problems, however, getting hold of the seeds. Mr. John Ferguson, an agronomist, points out that although *Arachis pintoi* has been used in Australia for over 10 years, under the name Amarillo, there is little seed production in Colombia.

A small Bolivian company, SEFO, is exporting seeds of the legume to other South American countries.

The peanut legume is now being used by coffee farmers, not least because it substitutes for nitrogen fertiliser, which has to be purchased. "In coffee plantations on the Colombian hillsides, *Arachis pintoi* cuts fertiliser costs and improves weed control," says Mr. Susan Suarez of Cenicafe, Colombia's Coffee Research Centre.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Associated Metal Traders)

ALUMINIUM, 99.7 PURITY (\$ per tonne)

	Close	High	Low	Open
1400-1	1475.5-0.0			
Previous	1475.0			
High/Low	1480.0/1465.0			
AM Official	1475.0			
Karb close	1475.0			
Open Int.	274.44			
Total daily turnover	50,366			

ALUMINIUM ALLOY (\$ per tonne)

	Close	High	Low	Open
1400-1	1465.75			
Previous	1465.0			
High/Low	1470.0/1460.0			
AM Official	1465.75			
Karb close	1465.75			
Open Int.	2,892			
Total daily turnover	649			

LEAD (\$ per tonne)

	Close	High	Low	Open
50-5	542.5			
Previous	542.5			
High/Low	545.0/535.0			
AM Official	542.5			
Karb close	542.5			
Open Int.	39,990			
Total daily turnover	8,793			

ZINC (\$ per tonne)

	Close	High	Low	Open
50-5	510.00			
Previous	510.00			
High/Low	510.00/500.00			
AM Official	510.00			
Karb close	510.00			
Open Int.	57,005			
Total daily turnover	12,944			

COPPER (\$ per tonne)

	Close	High	Low	Open
50-5	2220.00			
Previous	2220.00			
High/Low	2220.00/2150.00			
AM Official	2220.00			
Karb close	2220.00			
Open Int.	57,005			
Total daily turnover	12,944			

NICKEL (\$ per tonne)

	Close	High	Low	Open
50-5	11,000.00			
Previous	11,000.00			
High/Low	11,000.00/10,500.00			
AM Official	11,000.00			
Karb close	11,000.00			
Open Int.	57,005			
Total daily turnover	12,944			

TIN (\$ per tonne)

	Close	High	Low	Open
50-5	22,000.00			
Previous	22,000.00			
High/Low	22,000.00/21,500.00			
AM Official	22,000.00			
Karb close	22,000.00			
Open Int.	57,005			
Total daily turnover	12,944			

SILVER (\$ per ounce)

	Close	High	Low	Open
50-5	11.00			
Previous	11.00			
High/Low	11.00/10.50			
AM Official	11.00			
Karb close	11.00			
Open Int.	57,005			
Total daily turnover	12,944			

GOLD (\$ per ounce)

	Close	High	Low	Open
50-5	385.10			
Previous	385.10			
High/Low	385.10/380.00			
AM Official	385.10			
Karb close	385.10			
Open Int.	57,005			
Total daily turnover	12,944			

PLATINUM (\$ per ounce)

	Close	High	Low	Open
50-5	1,000.00			
Previous	1,000.00			
High/Low	1,000.00/950.00			
AM Official	1,000.00			
Karb close	1,000.00			
Open Int.	57,005			
Total daily turnover	12,944			

PALLADIUM (\$ per ounce)

	Close	High	Low	Open
50-5	400.00			
Previous	400.00			
High/Low	400.00/380.00			
AM Official	400.00			
Karb close	400.00			
Open Int.	57,005			
Total daily turnover	12,944			

RHODIUM (\$ per ounce)

	Close	High	Low	Open
50-5	1,000.00			
Previous	1,000.00			
High/Low	1,000.00/950.00			
AM Official	1,000.00			
Karb close	1,000.00			
Open Int.	57,005			
Total daily turnover	12,944			

IRIDIUM (\$ per ounce)

	Close	High	Low	Open
50-5	1,000.00			
Previous	1,000.00			
High/Low	1,000.00/950.00			
AM Official	1,000.00			
Karb close	1,000.00			
Open Int.	57,005			
Total daily turnover	12,944			

COBALT (\$ per ounce)

	Close	High	Low	Open
50-5	1,000.00			
Previous	1,000.00			
High/Low	1,000.00/950.00			
AM Official	1,000.00			
Karb close	1,000.00			
Open Int.	57,005			
Total daily turnover	12,944			

MANGANESE (\$ per ounce)

	Close	High	Low	Open
50-5	1,000.00			
Previous	1,000.00			
High/Low	1,000.00/950.00			
AM Official	1,000.00			
Karb close	1,000.00			
Open Int.	57,005			
Total daily turnover	12,944			

NIOBIUM (\$ per ounce)

	Close	High	Low	Open
50-5	1,000.00			
Previous	1,000.00			
High/Low	1,000.00/950.00			
AM Official	1,000.00			
Karb close	1,000.00			</

LONDON SHARE SERVICE**INVESTMENT TRUSTS - Cont.**

Company	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537	1536	1535	1534</
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TRANSPORT - Cont[illegible]

AUTHORISED UNIT TRUSTS

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

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Compiled with the assistance of Lautro §

INITIAL CHARGE: Clearing ready on sale of **HISTORIC PRICING:** The letter H denotes

that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before realisation and may not be the current offer.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In trading, most cash bond investors quote a March

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from www.fund.org.uk.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the technical unit trust

1100 hours (4) - 1101 to 1400 hours (4) - 1401 to 1700 hours (4) - 1701 to midnight.
Daily dining prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

Schroder Unit Trusts Ltd (L400)F

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WILLIS TOWERS WATSON

THE

Net Income	100.00	100.00	100.00	100.00	100.00
Income Tax	25.00	25.00	25.00	25.00	25.00
Income After Tax	75.00	75.00	75.00	75.00	75.00

Revenue increase, %	17.42	58.48	52.32	+61.21	5.17
Operating income, \$	88.71	87.48	71.78	+62.88	5.17
Fixed Managers Limited (1200H)					
Revenue, Adelaide Road, Croydon	081-685	4365			
Profit, %	301.6	308.6	222.9	+1.20	11.84
Operating income, \$	01.97	52.20	54.74	+6.17	11.84
Telephone Unit, 77 West, Adelaide Road, Croydon					

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Country	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397</
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<p>Scottish Mutual Assurance plc 100</p>
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Money Market Trust Funds

41

INDICES					
	Jun 29	Jun 28	Jun 27	1994	Low
Argentina (2/10/77)	10257.14	10494.20	25470.46	16.2	17759.00
Australia					
AS Composite (1/1/84)	1975.1	1974.4	1952.4	249.02	32
AS Weighted (1/1/84)	478.5	480.5	480.5	1135.16	32
Austria					
Composite (1/1/84)	478.5	477.37	400.53	400.52	22
Traded Index (1/1/84)	1065.49	1063.75	1058.35	1222.25	12
Canada					
TSX (1/1/84)	1474.03	1544.26	1385.24	192.56	42
China					
Shanghai (1/1/84)	4030.1	4030.1	3572.10	260.08	206
Germany					
DAX (1/1/84)	3544.82	3552.28	3572.80	183	3572.80
France					
CAC (1/1/84)	3552.28	3552.28	3572.80	183	3572.80
Italy					
FTSE (1/1/84)	3552.28	3552.28	3572.80	183	3572.80
Japan					
Nikkei (1/1/84)	4380.27	4420.0	4057.28	42	4057.28
Denmark					
OMX (1/1/84)	304.18	302.25	300.44	449.78	32
Finland					
HEX (1/1/84)	1083.2	1067.4	1054.4	167.80	42
Spain					
IBEX (1/1/84)	1280.25	1282.16	1280.22	100.00	22
Sweden					
SSE (1/1/84)	1893.33	1828.75	1911.80	100.00	22
Switzerland					
SIX (1/1/84)	777.82	780.02	757.81	88.27	185
United Kingdom					
FTSE 100 (1/1/84)	2265.3	2184.4	2163.54	240.00	26
US					
DAX (1/1/84)	2043.3	2012.28	1988.00	21.71	165
France					
FTSE 100 (1/1/84)	844.05	853.57	854.05	115.00	181
Italy					
FTSE 100 (1/1/84)	854.05	853.57	854.05	115.00	181
Japan					
Nikkei (1/1/84)	4140.2	4211.8	4174.4	432.00	208
Denmark					
OMX (1/1/84)	457.74	462.41	454.35	82.00	51
Finland					
HEX (1/1/84)	424.74	425.11	424.74	432.00	208
Spain					
IBEX (1/1/84)	1083.2	1067.4	1054.4	167.80	42
Sweden					
SSE (1/1/84)	1280.25	1282.			

US INDICES					
	Jun 29	Jun 28	Jun 27	1994	Low
Major Indices	Jun 29	Jun 28	Jun 27	1994	Low
Dow Jones	3083.84	3085.50	3038.94	3073.20	2993.35
S&P 500	115.10	115.10	114.70	114.70	114.70
Nasdaq	2083.84	2085.50	2038.94	2073.20	2003.35
NYSE Comp.	115.10	115.10	114.70	114.70	114.70
NYSE Ind.	115.10	115.10	114.70	114.70	114.70
NYSE Mid.	115.10	115.10	114.70	114.70	114.70
NYSE Small	115.10	115.10	114.70	114.70	114.70
NYSE Tech	115.10	115.10	114.70	114.70	114.70
NYSE Energy	115.10	115.10	114.70	114.70	114.70
NYSE Health	115.10	115.10	114.70	114.70	114.70
NYSE Media	115.10	115.10	114.70	114.70	114.70
NYSE Telecom	115.10	115.10	114.70	114.70	114.70
NYSE Utilities	115.10	115.10	114.70	114.70	114.70
NYSE Financial	115.10	115.10	114.70	114.70	114.70
NYSE Industrial	115.10	115.10	114.70	114.70	114.70
NYSE Consumer	115.10	115.10	114.70	114.70	114.70
NYSE Healthcare	115.10	115.10	114.70	114.70	114.70
NYSE Technology	115.10	115.10	114.70	114.70	114.70
NYSE Energy	115.10	115.10	114.70	114.70	114.70
NYSE Health	115.10	115.10	114.70	114.70	114.70
NYSE Media	115.10	115.10	114.70	114.70	114.70
NYSE Telecom	115.10	115.10	114.70	114.70	114.70
NYSE Utilities	115.10	115.10	114.70	114.70	114.70
NYSE Financial	115.10	115.10	114.70	114.70	114.70
NYSE Industrial	115.10	115.10	114.70	114.70	114.70
NYSE Consumer	115.10	115.10	114.70	114.70	114.70
NYSE Healthcare	115.10	115.10	114.70	114.70	114.70
NYSE Technology	115.10	115.10	114.70	114.70	114.70
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NYSE Media	115.10	115.10	114.70	114.70	114.70
NYSE Telecom	115.10	115.10	114.70	114.70	114.70
NYSE Utilities	115.10	115.10	114.70	114.70	114.70
NYSE Financial	115.10	115.10	114.70	114.70	114.70
NYSE Industrial	115.10	115.10	114.70	114.70	114.70
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NEW YORK STOCK EXCHANGE COMPOSITE PRICES

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AMERICA

Dow recovers despite new low for dollar

Wall Street

US stocks bounced higher yesterday morning, even though the dollar touched a fresh low against the yen, writes Frank McGurty in New York.

By 1 pm, the Dow Jones Industrial Average was 19.10 ahead at 3,688.74, while the more broadly based Standard & Poor's 500 gained 3.24 at 449.31. NYSE volume was light, with only 154m shares exchanged by early afternoon.

Investors were generally inactive, with many already looking ahead to the long Independence Day weekend and the Federal Reserve policy-making session early next week. In the secondary markets, the American SE composite was 1.29 better at 423.96, and the Nasdaq composite up 5.27 at 707.32.

At the opening, stocks picked up where they had left off in the previous session. Share prices moved steadily higher during the morning, building on Tuesday's late rally, which had whittled down a 46-point deficit to just 15 by the close. The dollar remained a concern but stocks appeared to have broken past with its fluctuations.

Fixed interest rate traders also accepted the dollar's latest stumble with equanimity, giving bonds a breather after a week of skittishness. The benchmark 30-year government security inched forward in spite of an upward revision of the government's estimate of first-quarter gross domestic product to 3.4 per cent. Econ-

mists were expecting no change in the earlier estimate of 3.0 per cent.

The lull left an opening for investors looking to take advantage for bargain prices created by the recent wave of selling. Only two of the 30 Dow industrials - Caterpillar and IBM - were down slightly as the afternoon commenced.

Few stocks showed big gains: Kodak was \$1 better at \$47.75 and Sears added \$1 at \$47.75.

The banking sector was among the most buoyant as stocks tracked the course laid out by bonds. First Interstate climbed 1 1/4 to 77 1/4 and Wells Fargo appreciated \$1 to \$155. Citicorp firmed \$1 to \$40 1/4 as Kidder Peabody initiated coverage of the issue with an "outperform" rating.

On the Nasdaq, Novell jumped 1/4 to \$17 1/4 after at least the securities houses - Wertheim Schroder and UBS - lifted their ratings on the issue. Earlier, Mr Bob Frankenberg, Novell's chief executive, said the company saw growth opportunities now that its merger with WordPerfect was complete.

Elsewhere, Snapple Beverages was marked up 1/4 to \$21 1/4 after the company told analysts of its success in the fast-growing fruit juice market.

Canada

Toronto was firm at midday as investors began to look ahead to the release of second-quarter earnings results next month. The TSX 300 composite index moved ahead 11.55 to 4,008.45

in volume of 27.2m shares.

Advancing issues outpaced declines by 222 to 215, with 272 stocks unchanged.

All but two of the TSX's 14 sub-indices were stronger, led by sharp gains in transportation, pipelines and the paper and forest products sector.

Forestry rose 1.1 per cent, as Fletcher Challenge Canada class "A" and International Forest Products class "A" both climbed 0.5%, to \$31.74 and \$31.44 respectively.

Mexico

Medium shares opened higher, helped by reports that Mr Alfredo Harp Helg, the kidnapped financier, had been released by his kidnappers, as well as by gains on Wall Street.

The IPC index was up 24.2, or 1.1 per cent, at 2,256.92.

Telcel ADRs in New York had added \$4 to \$56.4, while locally the "L" shares had risen 1.7 per cent and the "A" series 1.3 per cent.

Brazil

Equities in São Paulo had gained a further 5.1 per cent in local currency terms by midsession as domestic investors in particular took positions before the introduction of the new currency, the real, tomorrow.

The Bovespa index was 1,949 stronger at 37,585 in turnover of \$143.3m.

The financial markets will be closed tomorrow as the change-over in the currency takes place.

EUROPE

Modified approach to cyclical mooted

As investors began counting the costs of their commitments at the end of the second quarter, there were more murmurings in favour of bond markets yesterday, writes Our Markets Staff.

In equities, there were arguments for a modified approach to cyclical, already voiced by Merrill Lynch in London. Mr Bert Jansen, European strategist at Paribas Capital Markets, said that of 56 major cyclical, 32 were overvalued and 24 undervalued; and that implied prices for Thyssen, Pechiney, Acerinox, Peugeot and Freusag, based on peak earnings forecasts, and peak price ratios, were almost double their present level.

FRANKFURT, according to some reports, mounted a cynical exercise to lift the Dax index before the end of June. Traders noted that an illiquid Dax stock, Lufttase, rose DM5.50, or 4.6 per cent, to DM124.50, while Deutsche Bank gained only DM1.70, or 0.25 per cent, at DM679.50 as the Dax itself closed 23.04 higher at 2,046.30.

Mr Hans-Peter Wodniok, head of research at Robert Fleming in Frankfurt, could not see the sense of this. "I strongly doubt whether the banks have been active," he

said, "since they have been losing significant money on the bond market." Foreigners continued to be net sellers, so insurance companies, by deduction, were the most likely buyers - and insurance funds would not worry about the level of stocks at the end of a given quarter.

Mr Wodniok noted that good quality German cyclical had outperformed over the past two weeks. Among them, Prensag rose another DM10 to DM447. Turnover increased from DM7.1bn to DM7.25bn.

PARIS rallied further after Tuesday's promising performance, helped by additional firmness in the bond market. The CAC-40 index put on 10.87 at 1,336.33 but turnover was below FF3tn.

Hopes were raised that the Bank of France might be encouraged to lower interest rates today following an easing in the German repo, but most analysts considered this unlikely.

Merrill Lynch joined other brokers which have underweighted the French equity market, although it said that it expected the CAC-40 index to target the 2,230 to 2,300 range over the next six months. It favoured cyclical and was particularly interested in those

stocks which had "consumer exposure".

AMSTERDAM finished moderately higher after moving in a narrow range. The AEX index closed 1.08 up at 382.30.

High volume was seen in Philips once again, the shares adding 40 cents at \$1.61.00, while switching was noted in the chemicals sector, DSM rising \$1.20 to \$1.27.00 at the expense of Akzo, down \$1.00 at \$1.88.00.

KLM continued to benefit, climbing 50 cents to \$1.43.40, bringing its gain on the week so far to 7 per cent, as the group resumed the benefits of a number of positive analysts' notes to recent days.

ZURICH moved ahead in active trade, the SMI index rising 26.8 to 3,631.2, with the market's resilience over the last difficult week adding to the improved sentiment.

Banks remained firm, CS

Holding appreciating Sfr12 to Sfr559, while insurers succumbed to profit-taking.

Chemicals put aside worries about the weak dollar. Ciba bounced Sfr25, or 3.2 per cent, higher to Sfr506, while Roche certificates also gained Sfr25, at Sfr5410.

Holderbank fell Sfr14 to Sfr787 on a large sell order from one domestic institution. The fall wiped out Tuesday's gain which followed news that the cement group planned a Sfr42m offer for a French group.

MILAN continued to play a waiting game in the absence of decisive government action on the budget deficit, and the Comit index lost 2.94 at 698.03 in low turnover. Hopes that the successful privatisation of Ina would provide a spur to trading proved unfounded: the offer closed three days early on Tuesday night.

Montedison gave up an early advance to finish a net L8 lower at L1.495 in spite of its announcement that it had boosted operating profits by 33 per cent in the first five months of the year and expected to cut debt to L9,500bn by the end of the year.

Against the trend, Ferruzzi, the holding company, appreciated L25 to L2,050 ahead of today's shareholder assembly. Some analysts suggested that the company could be poised for a turnaround, but others remained doubtful.

COPENHAGEN featured a number of positive corporate stories as turnover climbed from Dkr431m to Dkr697m, and the KFX index moved up 1.51 to 102.88.

Danske Bank finished Dkr10 higher at Dkr338, partly on news of an option on a 23 per cent stake in Baltica Forsikring, the insurer, which might open a way for the sale of Danske's existing shareholding.

Danisco was up Dkr20 at Dkr920 ahead of a progress report due today, and PLS Industries by Dkr20 at Dkr300 on news of a Polish order worth Dkr700m.

Written and edited by William Cochrane, John Pitt and Michael Morgan

Johannesburg unable to make fresh headway

South African shares slipped further, ignoring the stronger showing in Europe and Wall Street's firmer opening. Trading was very quiet, with the market still nervous that inflationary fears could lead to higher foreign interest rates.

The overall index fell 66 to 5,421 as industrial shares traded lower and a softer bullion price took gold shares down. Industrials finished 77 off at 6,261 and golds slipped 16 to 2,068.

Among key issues, De Beers, the diamond producer, retreated R2 to R107.50 in spite of the release of first-half sales figures from its Central Selling Organisation which were only slightly below expectations. CSO sales were up 1.5 per cent to \$2.58bn in the first six months.

Anglo American, the mining conglomerate, weakened R4.25 to R226, but Barlows, the heavy engineering group, was unchanged at R34. South African Breweries fell R4 to R36.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES									
Market	No. of stocks	Dollar terms		Local currency terms		Dollar terms		Local currency terms	
		June 24 1994	% Change over week	June 24 1994	% Change over week	June 24 1994	% Change over week	June 24 1994	% Change over week
Latin America	(208)	571.01	-0.7	-12.2		521,598.29	-4.5	-14.5	
Argentina	(25)	850.02	-4.5	-14.5		811,934,440.6	-2.6	-486.0	
Brazil	(57)	234.31	-11.4	-0.7		1,109.02	-2.7	-16.3	
Chile	(25)	658.21	-2.6	+19.3		1,368.28	-0.7	-47.8	
Colombia	(11)	934.28	+0.1	+44.9		1,158.88	-5.2	-14.1	
Mexico	(89)	792.52	-5.8	-21.3		1,589.99	-6.5	-17.6	
Peru	(11)	138.03	-6.9	-19.5		2,156.77	+0.2	-51.7	
Venezuela	(12)	176.18	-13.4	-18.1					
Asia	(567)	244.22	-2.5	-18.1					
China	(18)	38.22	-5.4	-40.2		97.58	-6.5	-40.5	
South Korea	(156)	127.48	+0.8	+7.9		133.53	+1.2	-7.8	
Philippines	(18)	283.92	-2.2	-18.6		363.47	-2.4	-18.2	
Taiwan, China	(90)	131.78	-4.1	-2.5		133.63	-4.1	-4.0	
India	(76)	134.83	-0.7	-14.8		149.10	-0.7	+15.8	
Indonesia	(37)	100.99	-1.3	-18.0		118.90	-1.3	-16.5	
Malaysia	(105)	288.45	-2.7	-20.8		255.54	-2.8	-23.9	
Pakistan	(15)	394.89	+4.0	+1.8		548.93	+4.0	+3.9	
Sri Lanka	(5)	178.89	+0.8	-0.3		189.59	+8.4	-0.7	
Thailand	(55)	362.82	-6.0	-24.1		361.69	-6.2	-25.1	
South-East Asia	(123)	106.69	-2.3	-37.0					
Greece	(25)	216.18	+2.2	-5.1		350.67	+0.7	-8.7	
Hungary	(5)	182.63	+1.3	+8.6		223.35	-0.5	+10.6	
Jordan	(13)	161.46	+0.2	-2.5		230.17	-0.5	-3.9	
Poland	(12)	492.00	-11.2	-4.5		658.11	-11.8	-49.4	
Portugal	(25)	110.80	+1.4	-2.5		124.87	-0.8	-8.6	
Turkey	(40)	151.34	-5.8	-52.3		151.04	-3.8	-1.4	
Zimbabwe	(5)	278.30	-1.1	+36.7		325.71	-1.0	+92.5	
Composite	(691)	298.21	-4.5	-15.9					

Pakistan has remained relatively immune to the choppy performances that have characterised emerging markets so far this year. Since the budget announcement earlier this month the KSE 100 index has gained some 5 per cent, a fact which has surprised some analysts. BMA Capital Management, based in Karachi, says the market's strength has come in spite of a negative reaction to the budget proposals from the business community.

The government of Prime Minister Benazir Bhutto is attempting to control inflation, aiming for a target in 1994-95 of 7 per cent, against the current level of around 15 per cent, and reduce the budget deficit through a package of measures which includes a general sales tax on consumer durables.

BMA says that since business conditions and corporate earnings forecasts are improving, the equity market should continue to advance. "An optimistic view of corporate profitability should encourage investors to be more active in the fourth quarter of 1994 and the first quarter of 1995, as signs of an economic recovery become more evident through the haze."

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Ltd., Goldman, Sachs & Co. and NatWest Securities Ltd. in conjunction with the Institute of Actuaries and the Faculty of Actuaries									
NATIONAL AND REGIONAL MARKETS	US Dollar Index	Day's Change	Point	Sterling	Yen	DM	Local Currency	Local % chg	Year on year
Australia (80)	163.01	1.1	155.28	100.26	194.31	149.87	0.8	3.97	191.21
Austria (17)	165.92	0.8	177.84	117.51	169.99	152.74	1.2	1.05	184.08
Belgium (37)	166.14	-0.4	158.27	105.24	136.90	133.78	0.2	4.13	186.80
Canada (108)	121.23	-0.8	118.22	78.79	69.89	121.71	-0.7	2.78	121.50
Denmark (59)	168.29	-0.2	247.61	163.61	212.82	216.58	0.3	1.26	168.79
Finland (24)	143.99	0.8	137.84	91.15	118.56	168.02	1.2	0.90	143.07
France (87)	164.41	0.3	157.81	104.14	135.47	140.06	0.9	3.21	163.86
Germany (88)	136.28	0.7	130.83	98.21	122.27	122.12	1.2	1.36	136.32
Hong Kong (58)	353.01	0.1	338.41	222.61	280.86	350.29	0.1	3.39	352.83
Ireland (14)	184.11	-0.2	176.50	118.62	151.71	198.82	0.3	3.99	184.42
Italy (60)	84.76	0.4	81.26	59.69	69.84	59.02	1.0	1.39	84.40
Japan (469)	161.97	1.0	159.87	105.70	137.58	137.10	1.3	0.72	161.27
Malaysia (18)	468.21	0.3	448.94	295.32	394.10	466.52	-0.2	1.75	467.33
Mexico (10)	189.81	2.3	181.54	119.08	157.14	700.53	2.3	1.11	184.77
Netherlands (27)	168.05	0.0	168.05	124.92	162.50	160.06	0.8	3.56	167.28
New Zealand (14)	64.85	1.5	62.96	41.14	53.51	59.21	1.0	4.11	64.00
Norway (23)	167.07	1.0	179.33	118.50	184.14	176.26	1.5	1.09	188.30
Sweden (38)	334.11	1.1	330.28	211.64	375.30	254.77	1.1	1.80	330.67
South Africa (29)	270.04	0.3	259.87	171.00	229.51	280.36	0.4	2.35	269.31
Spain (42)	138.77	1.2	133.00	87.80	114.95	137.33	1.7	4.21	137.17
Switzerland (47)	207.57	1.3	198.98	131.48	171.03	238.89	1.7	1.71	204.83
United Kingdom (203)	160.82	0.6	153.97	101.74	123.34	132.74	1.7	1.80	158.28
USA (518)	161.83	-0.2	174.41	115.24	148.81	181.93	-0.2	2.96	182.37
EUROPE (720)	162.85	0.3	158.12	103.16	134.19	147.24	0.2	3.18	162.44
Norfolk (118)	202.59	0.9	194.81	128.33	166.92	197.23	1.3	1.51	200.95
Pacific Basin (750)	173.03	0.8	165.87	108.60	142.57	114.55	1.2	1.04	171.49
Asia-Pacific (1470)	168.82	0.6	161.95	105.81	138.94	153.12	1.0	1.80	167.59
North America (225)	173.17	-0.2	170.80	112.88	146.81	177.82	-0.2	2.94	176.52
Europe Ex UK (513)	147.89	0.5	141.77	90.88	121.85	129.45	1.0	2.52	147.14
Pacific Ex Japan (281)	236.02	0.6	228.85	149.88	194.97	213.30	0.4	2.98	235.65
World Ex UK (1829)	169.34	0.8	162.24	107.20	139.44	153.20	1.0	1.82	168.38
World Ex UK (1829)	171.28	0.4	164.27	105.54	141.19	144.02	0.8	2.07	170.72
World Ex UK (1829)	171.86	0.3	164.75	108.96	141.81	146.11	0.8	2.29	171.31
World Ex Japan (1709)	177.82	0.0	170.47	112.84	149.82	170.32	0.2	2.69	177.78
The World Index (2172)	172.48	0.3	165.92	109.24	142.05	147.11	0.6	2.26	171.90

Window dressing by firms closing half-yearly accounts pro-

vided impetus in some of the Pacific Rim markets.

BANGKOK rebounded after falling for seven straight days, the SET index closing 18.84, or 1.6 per cent, up at 1,272.77 in low turnover of \$3.85bn. Most of the buying came from local funds, which have to calculate net asset values of their unit trusts at the half year.

HONG KONG was easier but recouped almost all its earlier losses ahead of the close on futures related business, with political developments largely ignored. The Hang Seng index ended 33.18 off at 8,460.31, having fallen to 8,461.61 during the morning.

HSGC finished steady at 88.93, or 1 per cent, firmer at 88.93, with 1.5m turnover. SYDNEY edged marginally ahead, with losses in the

dipped 25 cents to HK\$31.25.

SEOUL was spurred ahead by a late round of institutional buying which took the composite index 10.25 ahead to 833.91.

News of the agreement to hold summit talks between the presidents of the two Koreas next month briefly helped the market in the morning. Low-priced construction and trading companies with interests in expanded north-south trade gained momentum.

TAIPEI encountered some demand for industrials, but the mood remained cautious amid expectations that the market's consolidation would continue.

The weighted index closed 88.93, or 1 per cent, firmer at 88.93, with 1.5m turnover. SYDNEY edged marginally ahead, with losses in the

resources sector offset by gains in industrials. The All Ordinaries index finished 0.7 points higher at 1,975.11 in volume of 273.3m shares.

BHP and CRA each fell 34 cents to A\$17.86 and A\$17.76 respectively, their lowest levels in six weeks. Western Mining receded 8 cents to A\$7.26.

Among banks, NAB closed 18 cents stronger at A\$10.86, while Westpac rose 13 cents to A\$4.44 after BankWatch said it had assigned Westpac's senior debt at AA-minus.

SINGAPORE closed off lows after late bargain hunting of index stocks emerged. The Straits Times Industrial Index lost 9.19 at 2,218.41.

Kim Eng Holdings gained 10 cents at S\$2.63 on market expectations of good earnings.

Parkway Holdings added 20 cents at S\$3.02 on talk of a third hospital being set up in Indonesia and rumours of a listing of its Glenagles Hospital at the end of this year.

KUALA LUMPUR was helped higher by late buying of blue chips, although the broader market fell in response to Wall Street's drop. The composite index put on 3.19 at 1,010.11.

WELLINGTON gave up much of its early gains to end a quiet and thinly traded session little changed ahead of today's budget. The NZSE-40 Capital index closed 8.16 up at 1,869.27 in volume of NZ\$57m.

BOMBAY fell after an early advance, the BSE 30-share index finishing 53.41 down at 4,158.42 ahead of today's end of the account.

ALCATEL ALSTHOM

At the General Shareholders' Meeting of Alcatel Alsthom, the Paris based telecommunications energy and transport equipment group, held on June 23, 1994, Pierre Suard, Chairman and Chief Executive Officer, made the following remarks regarding the group's future and upcoming challenges:

Ordinary and Extraordinary Shareholders' Meeting of June 23, 1994

"As I stated last January, 1994 will be another difficult year, based on our sales expectations for the German and Italian markets, and the general impact of economic conditions on the group's activities. Looking at the volume of orders booked in the first months of 1994 and our commitment to maintaining high levels of research and development expenditures, we continue to forecast net income of 10-20% below the 1993 level."

This forecast announcement - which I felt was necessary in fairness to our shareholders - had a sharp impact on our share price. The market primarily focused on estimated 1994 earnings while discounting the positive long-term outlook I had also mentioned. Since then, the stock price has remained depressed, under the added pressure of a narrow market sentiment over interest rate expectations. In addition, recent press commentary on the group has undoubtedly put further pressure on the share price."

While noting that the Alcatel CIT case was still in litigation, Pierre Suard firmly denied allegations that the group had engaged in over-billing, issued false invoices, or maintained double accounting

June 30 1994
nooted

Changing strategy
among Europe's top
manufacturers: PAGE TWO

EXECUTIVE CARS

Four-wheel drives
keep their grip:
PAGE FOUR

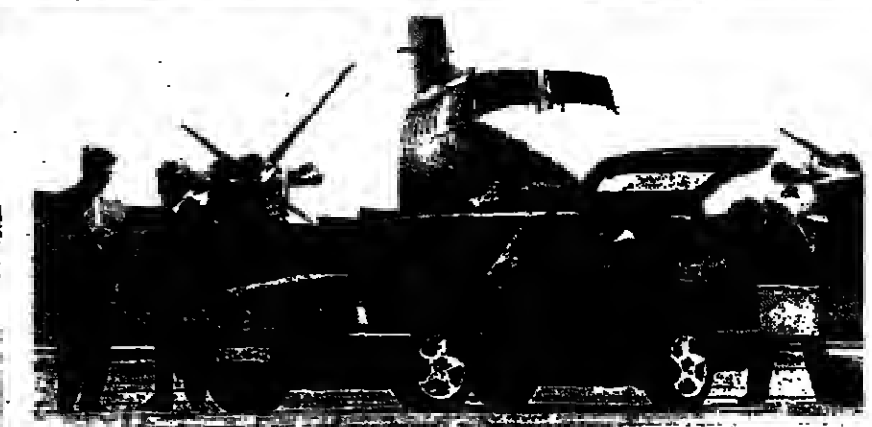
Thursday June 30 1994



Ford's Scorpio Estate 24V: traditional styles are under threat from 'MPVs'



Audi: exploring all-aluminium possibilities: see page four



Volvo's 950 GLE: where now after Renault merger collapse?

Traditional concept challenged

The world's executive car industry has entered a new age of uncertainty. Even the traditional concept of the 'executive' car, as being a large, well-equipped, swift and silent saloon carrying up to five people on business, is under challenge.

It is predicted by the Economist Intelligence Unit, DRI McGraw Hill and other forecasters that sales of this category of vehicle in Europe will decline by up to one-fifth between now and the end of the century.

In unit terms that would mean a sales drop of more than 180,000 units annually from the nearly 840,000 sold last year - a considerable blow to specialists in the sector such as Germany's Mercedes-Benz.

In this scenario, part of the decline will be caused by environmentally-motivated taxation and other legislation encouraging users to opt for smaller - but still well-equipped - cars.

Yet more will be accounted for by users opting for different types of vehicle. They will still be capable of performing the same basic function. But they will allow greater flexibility of use, or simply allow a user or owner to make a more overt 'statement' about his or her lifestyle.

Within these categories, by far the fastest growth is forecast for the MPVs (multi-purpose vehicles) which most of the leading car makers are rushing to bring to market.

Typified by the Renault Espace in Europe and Ford's new Windstar and Chrysler's Voyager in North America, they have seven or eight seats but drive like cars and can be as well-equipped as any saloon. The EIU's own forecast is that their European sales will more than triple

Sales could dip as executives opt for smaller, more flexible - but still well-equipped - cars, reports John Griffiths

to well over half-a-million by the end of the decade, compared with 162,000 last year. Peugeot and Fiat are launching a joint venture vehicle in the sector, as are Ford and Volkswagen.

Four-wheel-drive 'lifestyle' leisure vehicles such as Land Rover's Discovery are also providing an acceptable alternative to the conventional executive car, although there is much more caution among forecasters as to whether, by the late 1990s, they may turn out to have

and luxury cars than anywhere else in the world. Even little more than a year ago, many industry analysts believed the Japanese makers' advance into the executive and luxury sectors would prove all but unstoppable. Not only has the advance been slowed for hard financial reasons, some analysts are starting to maintain that the Japanese industry is running out of impetus in the key areas of design and development - 'some Japanese companies seem to be in trouble, not just financially

looking for direct exports in the executive sector as well as supplying the market with products made by their European subsidiaries. Ford, for example, is tapping Europe's growing executive coupe market with the US-designed and built Probe.

With a growing array of sophisticated vehicles like the Lincoln Town Car, the indigenous US car makers are recapturing ground previously lost to the prestige Japanese makes. Sales of prestigious European marques like Mercedes and BMW have begun a recovery in North America.

'The Japanese underestimated the speed and ability of US companies to respond to their problems. Meanwhile, their own responses to the high yen and years of depressed financial performance have been inadequate, leaving them vulnerable to further inroads once American producers modernise their cars,' according to Ms Maryann Keller, a well-known motor industry analyst with Furman Selz.

Despite their revived fortunes, the US 'big three' insist that they will not rest on their laurels and that much must still be done if they are not once again to be left behind as Japan's economic fortunes recover and the challenge from other Asian countries grows.

Some of the actions in train are set to have a structural impact on the European industry. Ford, in one of the biggest reorganisations in its history, is forming itself into several global product divisions. Ultimate responsibility for the design and development of large cars, for example, is to rest in the US, while European operations will lead small and medium car development.

Thus, while Ford chairman Mr Alex Trnka promises that Jaguars will be 'in the UK, it has positive



BMW: bold moves with Rover

Rover Group to the chagrin of Rover's Japanese partner, Honda. Now that emotions have calmed, there is talk of possible three-way collaboration between the groups - a development with as yet incalculable potential impact on the shape of the executive car industry.

The acquisition provided ammunition for industry analysts who argue that there is a much rationalisation yet to come in the European industry, and that it still has too many players. The collapse of the planned merger between Swedish executive car maker Volvo and Renault of France at the start of this year shows that such a process is likely to be slow and painful. And some of the players, despite heavy losses, make plain that they have no intention of giving up.

Fiat, for example, will shortly begin a big relaunch of its Alfa Romeo marque throughout Europe, through an expanded dealer network and with an extensive array of new products. In September it will also be launching an entirely new Lancia executive car, also the precursor to a complete renewal of the Lancia range. If, as some industry analysts maintain, they represent a 'last throw of the dice' to maintain Fiat's long-term survival in the executive car industry, then it is a very expensive one. The total investment programme total more than L40,000bn (\$24,500bn).

On car prices, meanwhile, there is pressure from the EU Commission for greater price harmonisation within Europe, as well as a growing awareness by consumers - as highlighted in a study of Japanese, US and European market prices by the Euroconsult consultancy - that European prices overall are high compared with other developed markets.

The suspicion is growing that consumers are having to foot excessive bills for a European car manufacturing industry still struggling for global competitiveness. It will not easily be allayed.

ALFA ROMEO
164
LEADING EDGE

Engines have always been the heart of every Alfa Romeo. Now, in the Alfa 164 Super, they beat more strongly than ever. Whether choosing the potent 2.0 Twin Spark or the all-conquering 3.0 V6 24V, you can be assured of the sort of instantaneous throttle response and smooth, eager power that only an Alfa Romeo could deliver. Combine this with the supreme comfort, handling characteristics and safety features of the 164 Super, and you have a car that is right up there where it belongs. At the Leading Edge.

164 Super	B.H.P. (CV CEE)	Max. Speed
V6 24V	207	240 km/h
V6 TB	202	237 km/h

164	B.H.P. (CV CEE)	Max. Speed
Q4	229	240 km/h
T. Spark	144	210 km/h
TD	125	202 km/h

* Not all models available. Alfa Romeo advises in all countries.

Cuore Sportivo

EXECUTIVE CARS 2

Kevin Done charts a change of strategy among Europe's top manufacturers

'Isolation is not strength'

The joint venture announced earlier this year between Mercedes-Benz and the German luxury carmaker and SME, the Swiss pioneer of cheap watches, to develop a micro compact car is a dramatic sign of the radical changes of strategy that are being embarked upon by Europe's executive carmakers.

Mercedes-Benz, perhaps the world's leading producer of executive and luxury cars, is taking one of the most adventurous routes, as it maps out a future as a maker of a full range of cars from flagship limousines to two-seater micro city cars.

BMW, its arch rival, has previously built its reputation on a fierce independence and a reluctance to enter alliances with any other automaker. In a departure from corporate tradition, just as stunning as that of Mercedes-Benz, it has moved recently to broaden substantially its industrial base with the takeover of Rover group from British Aerospace.

Through the £200m acquisition of the leading UK vehicle maker it is doubling its production capacity and has become the foremost European maker of four-wheel drive sport/utility vehicles with Land Rover. It has acquired several new brand-names - most importantly Rover and MG as well as Land Rover - along with a position in the European market for small

and medium-sized front-wheel drive cars, and a complex ready-made relationship with Honda, the Japanese carmaker.

With the marketplace fragmenting, BMW has accepted that it must move into new segments to add to its niche of high-performance executive and luxury cars. It could have continued to go it alone and develop the necessary products itself, but that would have taken time and been much more expensive. Instead, it has chosen the riskier fast track of acquisition.

It believes that with Rover it has also found a viable way of entering the small car market without diluting its own precious brand image. Rover is to be its centre for small car development. This will ensure BMW a presence in this market-place but will not put at risk the BMW brand name, says Mr Bernd Pischetsrieder, management board chairman. A Volvo of Sweden, in the meantime, has been forced by rebellious shareholders and

reluctant senior management to forsake the merger route as its chosen path towards future survival.

Its alliance with Renault, the French state-owned carmaker, was so well-heralded that the final move to a complete merger had been taken for granted. Much to the discomfiture of Mr Pehr Gyllenhammar, then Volvo chairman, the alliance failed late last year, when it became clear that leading Volvo shareholders would refuse to approve a merger.

The new board's strategy is to develop Volvo into a "streamlined" company. Non-core activities in food and pharmaceuticals are to be sold off to make the automotive operations "financially stable".

Full-scale merger appears to have been ruled out by the Renault debate but according to Mr Sören Gyll, Volvo president, specific co-operative ventures "will be natural elements of our operations." Despite the failure of the alliance, he says

that it is still the case that "in the automotive industry isolation is not strength."

Mr Gyll says that Volvo must "intensify its efforts to find partners" in the areas in which it operates, not least because the process of renewing its product range "must occur more rapidly than it has in the past".

Amid all this turmoil in Europe the most surprising change of direction has come from Mercedes-Benz, whose tradition had appeared to make it the least flexible of the world's leading prestige carmakers and the most unlikely candidate for re-thinking so radically the whole way it does business.

Mercedes-Benz has embarked on a far-reaching re-alignment of its product strategy. It has decided to transform itself from a car manufacturer with a long tradition in the luxury class into "an exclusive full-line manufacturer offering high qual-

ity vehicles in all segments of the market."

With astonishing frankness, it has accepted the unpalatable truth that its luxury cars were "over-engineered" and that if the company persisted with that policy in developing new models, it would end up being "priced out" of world markets.

Mercedes-Benz's new strategy means that by the late 1990s it will have launched a series of vehicles into new segments of the world market including:

- a multi-purpose vehicle, to rival models such as the Renault Espace,
- a modern four-wheel drive sport/utility vehicle that will be assembled in a new plant in the US,
- a small family car sized between a Volkswagen Golf and a Ford Fiesta, and
- a micro compact car, a two-seater for urban commuting, that it is developing in the joint venture with SME, the Swatch watchmaker.

Mr Helmut Werner, Mercedes-Benz chief

executive, says of the so-called "Swatch mobile": "We intend to create a market segment which has hitherto not existed in this form yet provides substantial growth potential... The micro compact car is ideally suitable to re-define urban mobility."

The car is being conceived partly as a second or third car for traditional customers, but Mercedes-Benz also wants "to appeal to new customer groups which were not open for us in the past".

In addition to the new product strategy Mercedes-Benz has embarked on a "radical rethinking" of its production structure, says Mr Werner. It plans to increase the share of its car production outside Germany to 10 per cent in the medium term from only 3 per cent at present, with production growing in such countries as the US, Mexico, South Korea and India.

It is cutting vertical integration - the level of in-house manufacturing - from 45 to under 40 per cent by 1998 by making greater use of outside component suppliers, and it is also ready to enter more co-operative ventures with other vehicle makers and suppliers.

Mercedes passenger vehicle production is likely to jump to about 1m a year by the late 1990s with the addition of the new vehicle ranges, from 482,000 last year. Its car production peaked at 598,000 in 1987.

Japanese feel the pressures of competition, says Michiyo Nakamoto

A taste of their own medicine



Toyota's Lexus GS300: the US price has gone up

high quality luxury cars at lower prices, are finding their strategy unravelling in the face of the high yen and the aggressive pricing strategies of competitors in the sector.

German luxury car makers, for example, are able to appeal to Japanese consumers' growing preference for cars which offer ease of driving, safety and comfort due to their strong reputation for just those qualities.

Their prices, meanwhile, are falling to levels that bring them more directly into competition with the luxury cars of domestic companies such as Toyota and Nissan, due largely to the yen's rise. Many foreign car makers have also adopted a strategy of taking advantage of Japan's low interest environment to offer lower-interest loans.

A new development in the luxury car market is the popu-

larity of imported cars due to the yen's rise," Mr Nanno notes.

Neither is the challenge restricted to the home market. In the US, where Japanese car makers made tremendous efforts to build up the image of their luxury car lines as

providing superior quality over established cars but at lower prices, the yen's rise has dealt a significant blow.

As a result of the yen's rise, coupled with the German car makers' strategy of lowering prices, a typical car from Toyota's luxury Lexus channel

has gone from \$40,000 in the US to \$50,000, while a comparable BMW or Mercedes has gone the other way - from \$60,000 or \$70,000 to \$50,000, Toyota says.

Japanese luxury car makers are full-line manufacturers which set out to win over the owner-driver in search of a high quality car at a reasonable price, rather than to target niche luxury markets.

"Our executives don't want to focus on high-profit low-volume cars. We don't think of ourselves as competing directly with Mercedes-Benz or BMW," says Mr Nanno. But he admits, that as market conditions have changed, "in effect... we have to compete with them."

The road ahead may seem bleak for Japan's luxury car makers. However, the industry is confident that there are still great opportunities.

For one thing, while demand for luxury cars has declined amid Japan's car market slump, the fall for luxury cars has not been particularly sharp when compared with that for cars overall. The monthly average has fallen from a peak of 124,000 in 1990 to 95,000 last year but remains well above the 75,000 average in 1987.

Moreover, the market share of luxury and large cars has grown steadily over the past decade, from 25 per cent of the entire car market in the early 1980s to a peak of about 35 per cent in 1990, falling only moderately last year to 33 per cent.

Toyota's Mr Nanno explains that people who buy executive cars in Japan tend to be self-employed executives of companies who can charge the cost to corporate expenses. Whereas corporations and self-employed executives make up only about a quarter of the entire car market customer base, as a group they comprise 55 per cent of the luxury car market, he points out.

As Japanese society ages,

and as people come to expect a higher standard of living, the chances are that the luxury car market will grow, rather than shrink. "More people will want to drive large cars that are spacious and safe," Mr Nanno says.

That may very well be the case. But it is also certain that competition for a slice of that growing cake will be heated as more foreign car makers target the Japanese market.

Both Mercedes-Benz and BMW are building their dealer networks in Japan, while US car companies are also showing a greater eagerness than ever to penetrate the Japanese market.

At the same time, Japanese luxury car makers face a difficult environment overseas as the yen's strong rise has weakened the cost advantage that they had in the US.

In order to maintain their reputation for offering high quality luxury cars at reasonable prices, they will have to put greater efforts into reducing the costs of the vehicles they manufacture in Japan, where labour costs are among the highest in the world.

Car makers were uneasy two years ago when the Inland Revenue unveiled its proposals for a new company car tax regime, based on a simple percentage of cars' list prices.

In previous years considerable effort had gone into producing "tax-break specials" under the old tax regime, which heavily favoured high-earning executives compared with lower-paid essential users of company cars.

The old system, based on price and engine capacity bands, meant that an executive driving a highly-specified "perk" car of fractionally under 2 litres and £19,250 paid only the same personal tax on his company car as an essential user of a utilitarian vehicle of just over 1.4 litres, provided their marginal tax rates were the same.

Under the new system, effective from April 6, the same executive would have to swap his £19,000 car for a model costing a mere £12,500 so that the tax bill would be the same. Car makers feared that many executives would be tempted to downsize and downgrade, thus sapping revenue from one of the most profitable sectors of the new car market. Vehicles with many execu-

tive "extras" provide disproportionately higher profit per unit compared with mainstream fleet cars. It will take two or three years before the effect of the new system, in terms of vehicle choice, can be fully assessed. Nevertheless, there is little sign so far of executives opting for less tax-burdensome cars, according to Mr Michael Banner, Vauxhall's director of fleet sales, and researchers at Henley Management College who have studied the executive and fleet car market on Vauxhall's behalf.

While some preference is being shown for smaller cars - but only ones equipped to executive standards - there is only a very slight trend towards downpricing, the researchers maintain.

Mr Banner observes that "the typical executive driving a car priced at the old £19,250 tax threshold has looked at the changes, realised that his current car is going to cost him

only another £20 or £30 a month and has decided 'I'll cope'."

Similar views are being voiced by other manufacturers. But that does not mean that significant changes in manufacturers' model mixes and marketing policies are not under way. One major effect of the new tax system was to eliminate entirely the engine capacity bands which previously had discriminated severely against larger units.

Particularly badly hit under the old system was the diesel engine. Though likely to be favoured by many fleet managers because of its one-third greater fuel economy compared with a petrol unit, it typically requires larger capacity to provide comparable on-road performance.

The new tax system is already seeing the introduction of new versions of mainstream business cars with larger, high-performance V6 engines of 2.5 litres, as well as giving a further boost to the buoyant

diesel car sector, sales of which in the first four months of this year were running 60 per cent higher than in the same period of 1993.

The diesel sales go on despite two learned reports in the UK, which argue that diesel exhaust emissions - including particulates suspected of causing cancer - could contaminate the air in cities if the diesel car population continues to expand.

One in four new cars sold in the UK is now a diesel. Business car users and fleet managers, increasingly impressed by the cost advantages, appear to be taking comfort from the fact that commercial vehicles - many of them elderly buses - account for at least two-thirds of the diesel exhaust pollution being created in urban areas.

It is not only at the £19,250 tax break point that the tax system changes are having an effect. The scrapping of the second threshold of £29,000, above which an executive's

personal tax on his company car rose sharply, has eliminated model range "bunching" around the break-point while the capping of the new system at a £20,000 list price means that the expensive car makers such as Rolls-Royce and Aston Martin are not significantly disadvantaged.

It is in pricing structures and strategies that the new tax system has had some of its most notable effects - at least in terms of the notional prices which are paid for executives' cars. Traditional UK pricing policies - with a few exceptions such as Mercedes and BMW - have been based on a relatively high list price which few customers in the business sector actually pay.

There are widespread discounts - 30 per cent or more in a few notorious deals to particularly large fleet operators. The new list price-based tax regime makes such policies unworkable because they would maximise an executive's personal tax



Michael Banner: only £30 a month more

burden. So manufacturers have been cutting the profit margins they allow their dealers. Once typically 15-16.5 per cent, plus the chance of cash bonuses from manufacturers for meeting sales targets, these "official" margins have been cut to 10 per cent and in some cases - over the past few weeks in the executive sector - to 5 per cent.

Indeed, Vauxhall's new Omega executive car range was launched with a 5 per cent margin. In a few cases, the margin has been dispensed with altogether in favour of a fixed "handling" charge payable to the dealer. Some Renault and Volvo models fall into this category. So do

some of the cheapest Rover 800 models with a £500 fee, while Ford is allowing a £1,500 handling fee on its US-built Probe coupé and is giving only a token margin on its Granada/Scorpio executive cars.

The changes have been accompanied by much trumpeting about lower prices. This is convenient in view of the pan-EU car price comparisons now published twice a year at the behest of the European Commission, which wants to see price convergence between EU new car markets and tends to regard the UK as a high-priced market.

But transaction prices have not changed a lot because dealers were already giving away much of their official margin and relying on incentive bonuses from manufacturers to make a return on mainstream executive cars. They now merely have less room to haggle.

The approach does mean a lower company car tax burden for executives - and a lower tax take for the Inland Revenue. At the moment, the Revenue can only stand by gnashing its teeth. How it might react, in the longer term, to an entrenched system of zero profit margins and "handling charges" is another matter altogether.

John Griffiths examines UK suppliers' changing price strategies

The Revenue gnashes its teeth

It is too early to measure the impact of the UK's new system of taxing the company car benefit, implemented on April 6, but it is unlikely to be revolutionary.

The new system, which replaces the scale changes which required for employers to pay national insurance contributions on car provision as well as the recession, has prompted many companies to review their attitude towards the cost of providing cars for employees.

A recent report by Sedgwick Noble Lowndes, the employee benefits consultancy, found that the proportion of employees earning between £15,000 and £25,000 and receiving a car dropped from

70 per cent in 1992 to 60 per cent in 1993. The trend was also noticeable, though less marked, among those earning more than £25,000: 93.4 per cent received a company car in 1993 compared to 94.5 per cent a year earlier.

The new taxation system has the virtue of relative simplicity. The employee pays tax at his marginal rate, on 35 per cent of the list price of the car the day before it was registered. This price must include VAT, delivery charges,

and accessories of £100 and over.

The status of personalised number plates, which had been in dispute, has recently been clarified by the Inland Revenue which has decided that they do not count as an accessory.

The list price is capped at £20,000 - more expensive cars are taxed as though the price had been £20,000. Drivers covering 2,500-17,999 business miles are allowed a reduction of a third on their assessment, while those covering more

than 18,000 receive a discount of two-thirds.

There are also reductions for the age of the car. If the company car is four or more years old at the end of the tax year, there is a further one-third reduction on top of the deductions for business mileage.

The rules differ for classic cars or those without a list price. If a car is 15 years old or more at the end of the tax year, or has a market value of £15,000 or more (which is higher than the manufacturer's list price when the car was first registered), the price for tax purposes will be the open market value of the car and its accessories.

Fuel provided for private use is taxed on the basis of the car's engine size and whether it is petrol or diesel-powered. But there is no tax if the employee pays for private motoring fuel himself.

So who are the winners and losers under the new system? A survey released earlier this year by W.F. Corroon, an actuarial and benefits consultancy, found that middle managers driving mostly Fords, Vauxhalls and Rovers costing between £16,000 and £23,600 would lose the most under the new system, with some paying as much as £900 extra tax. In general, the losers are drivers who chose cars at the top of the old bands.

Sedgwick Noble Lowndes says that as a result of the new taxation system, it expects to see "a move to the more basic

financially beneficial models, without the tax-hungry extras, as long-overdue renewal dates are reached."

It also believes that the trend "may" have particularly pronounced in companies where a "trade-down" option is provided and if employee demand for this facility intensifies, then increasingly schemes must become more flexible to include the choice to trade down or up."

The new tax system is also expected to encourage more employers to provide a cash alternative with a concomitant increase in the take-up of such offers. However, Mr Paul Wigham of Price Waterhouse says: "In our experience, only a very small proportion of employees have opted for the cash alternative although it is growing in popularity as companies are offering slightly more."

Take-up has been low because unless employers can make savings, they do not want to be more generous than they have to be. Mr Wigham says: "In general, employers are pitching the cash alternative at about £1,000 to £1,500 less than the car would have cost them."

It can be difficult to judge whether the amount of cash on offer is a good offer or even a fair one. Mr Wigham suggests that "As a rule of thumb you should calculate your annual mileage and check what the cost will be (the AA and RAC

UK TAX INCREASE

This table indicates the 43 per cent tax increase (assuming taxation at 40 per cent) for a driver of a two-litre, five-door Ford Mondeo Ghia (retail price £16,290)

1992-1993			
Benefit in kind	Annual tax	Monthly tax	
£4,485.00	£1,794.00	£149.50	

1994-1995			
Benefit in kind	Annual tax	Monthly tax	
£8,401.50	£2,580.60	£215.05	

Since April 1994, taxation of a company car in the UK has been based on car value, rather than on engine size. For those drivers who do a high business mileage, the company vehicle is still the best option, says Len Clayton, managing director of Swan National Leasing - "the company car is still a seductive benefit, largely because it removes many of the hassles associated with being an owner-driver," he adds. Costs are predictable, repairs and maintenance are included as part of the benefit, and expert advice is generally no more than a phone call away, he adds. Swan offers a "National Carchoice" scheme which aims to provide the private motorist with a standard of service previously associated with the operation of a company car.

publish mileage costs guides which take depreciation, insurance and tax into account) and compare that with the after-tax increase in salary being offered."

However, the calculation is complicated by the difficulty of putting a price on the convenience factor of driving a company car. Many employees find the luxury of foregoing the hassle of arranging a replacement car or negotiating with the insurance company after an accident, not to

mention the convenience of not having to shoulder the burden of an increased premium due to an accident, an invaluable benefit.

In general however, those who are most likely to benefit by taking the cash alternative are employees with business mileage of under 2,500 miles - the pure "perk" drivers. They will pay proportionately the largest amount of tax, since they will not benefit from the mileage discounts. They are most likely to see savings if they take the cash offer and then buy a cheaper car for their personal use than the one they would have been offered by the company.

Alternatively they could combine a smaller salary increase with an interest-free loan from the employer to help with the purchase of a car. If the car being bought is the company's, it would have to be purchased at market value to avoid further tax. The loan benefit would not be taxed so long as the loan is for a maximum of £5,000 and there are no other outstanding loans from the employer.

The new tax system does not herald the demise of the company car, according to Sedgwick Noble Lowndes: "The wholesale removal of the company car as a benefit is unlikely to become a widespread reality. As long as the car does not become a financially unattractive proposition to the majority of employees, it will remain a benefit option in most organisations to aid in attracting and retaining senior staff, even though the cost to employers has significantly increased since mid-1992 due to the introduction of national insurance contributions."

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See how they go: Stuart Marshall finds himself spoilt for choice

No duds above the £15,000 level

An honest motoring correspondent has to admit that sorting out the wheat from the chaff among the current crop of new models is not easy. Why? Because they are all good. Some are slightly better than others, though much depends on what the user is looking for.

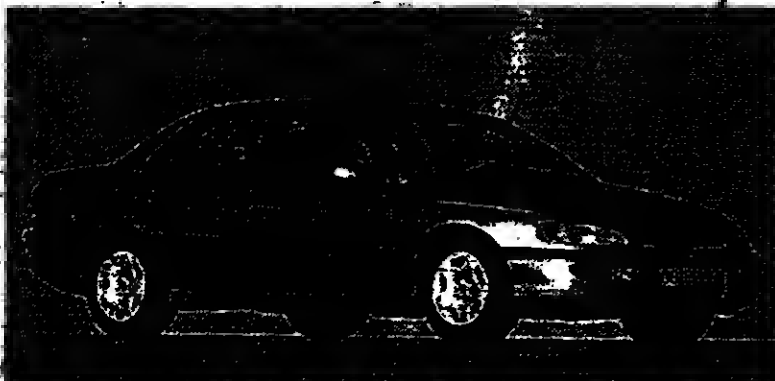
What one can say with confidence is that there is no such thing today as a really dud car. Executive-class motorists rightly take it for granted that a car will be reliable, quiet, comfortable, adequately roomy, have power-steering and ABS brakes and look nice. So, what else is there to take into consideration?

Ignore for the moment the minority with individual requirements for sports coupes or luxuriously appointed four-wheel-drive, on-off road vehicles as company cars. It then comes down to a mix of personal taste and tax liability, coupled with the finance director's thoughts on retained values.

Within these parameters, I reckon most executive users would be happy with the performance of practically any four- or five-door priced over £15,000.

Petrol-engined cars of particular appeal to me in the lower price brackets - say from £15,000 to £18,000 - would be a highly specified Renault Laguna RXE 2.0, for its refinement; a limited edition Citroën XM Premiere 2.0-litre turbo, for exceptional value and a class-beating ride; a Vauxhall Cavalier 2.0i V6 for large engined relaxation; a spacious Vauxhall Omega 2.0i 16v; a quiet and elegant Rover 620i, with its traditional British interior; and a comfortable yet sporty Saab 900 S 2.0i 5-door. All can have automatic transmission; I would not consider an executive car without it.

Moving up the price scale, I could be seduced by the BMW 520i or a Mazda Xedos 6 2.0i V6 for their multi-cylinder refinement. The 5-cylinder, front-wheel driven Volvo 850 GLT 2.0 is equally



The Omega: among the leaders for room, refinement, comfort and equipment



The Citroën XM: exceptional value and a class-beating ride

fanciable. A Mercedes-Benz C-180 Elegance has the timeless appeal of any car with the three-pointed star.

In the £24,000 to £30,000 class there is an embarrassment of riches, but saloon cars I have found particularly satisfying include the Jaguar XJ6 Gold, Mazda Xedos 8, Toyota Camry V6 GX and Mercedes-Benz C-280. Over the £30,000 mark, the BMW 5-Series with 3.0-litre or 4.0-litre V8 engines are as

urbane as they are muscular, particularly with 5-speed automatic transmission. The Lexus LS300 and LS400 have few rivals for sheer silence.

Enter the sky-is-the-limit price level and, among large saloons, it is really a Mercedes-Benz S-Class benefit. These exceedingly roomy and comprehensively equipped cars set standards of safety, technology and -

no other large luxury cars can match. The Jaguar Daimler Double Six is beginning to show its age, but its V12 engine's power delivery is Dom Perignon to a normal car's sparkling blanc de blanc. And the Bentley Brooklands, for less than £100,000, is the best value product Rolls-Royce has offered in years.

And what of the minority choices - the estate cars, sports models and on-off road four-by-fours? Many an executive whose family includes a horse-mad daughter and has to transport all the gear that goes with equestrianism opts for an estate, such as a Volvo 940 or 960, Citroën XM, Ford Scorpio or Mercedes-Benz 300T.

They offer saloon-car comfort with bulk-carrying capacity. The Citroën's height-adjustable, self-levelling suspension can be a boon. A new rival, with petrol engines ranging from two to three litres, plus a 2.5-litre 6-cylinder BMW-sourced diesel, is the Vauxhall Omega. It is up among the leaders for room, refinement, comfort and equipment at highly competitive prices.

BMW's 5-Series Touring and the Audi 100 estates have a sporting demeanour and carry bigger loads than a saloon, though they cannot match the large Citroën, Ford, Mercedes-Benz, Vauxhall or Volvo estates for sheer bulk load capacity.

One of the best sports cars for an executive user-chooser is Ford's new American-built Probe, V6 engine, very civilised to drive and able to take four people when required.

Of the 4x4s, the Range Rover is still king, though the Mitsubishi Shogun runs it close for status. Independent front suspension gives the Shogun a better ride. The Land Rover Discovery offers practically all a Range Rover's benefits at a much lower price, and push versions of what used to be the Range Rover but is now the Vauxhall Monterey are equally pleasant on and off road.

Kenneth Gooding on UK company policy

Perks are curbed

The ways in which companies allocate executive cars not only give an indication of the general health of UK companies but also provide an idea of the difficulties that they may have in recruiting and holding senior people.

The latest clutch of surveys about the company car market suggest that, while the UK economy is improving, there is no shortage of talent available and that corporations can be less generous in their car allocation policies.

For example, Lex Vehicle Leasing, in its latest Report on Motoring, draws the conclusion that business confidence in Britain is on the rise, because the average age of the company car went down from 2.5 years in 1992 to 2.5 years in 1993. This reverses a three-year trend. Moreover, Lex points out that the number of company cars on Britain's roads rose slightly last year, from 2.88m in 1992 to 2.7m.

"Companies make investment decisions, like replacing company vehicles, when they are confident that the business climate is improving. I think these results indicate a turnaround in business outlook," says Mr Jon Walden, Lex Vehicle Leasing's managing director.

However, a survey by William M. Mercer, the consulting actuarial group, suggests that those companies making or contemplating changes to their company car policies are gearing up to be less generous and more restrictive.

For example, nearly half of the surveyed companies that have made changes extended their replacement criteria, as 15 per cent of those contemplating changes intend to do. "Replacement of a company car at over 75,000 miles is now almost as common as replacement between 60,000 and 75,000 miles. Replacement at over three years and up to four is now more common than at over two years and up to three," Mercer reports.

Its survey also shows that a higher percentage of organisations employing fewer than 5,000 are restricting the number of people eligible for company cars. The main reason given by companies making

such changes was "cost containment".

Mercer gives an indication of typical company-car costs, as at June last year, for various management groups. The median average salary for directors and partners in the companies surveyed was £80,000, and the purchase price for their company cars was £25,000. Senior managers' median average salary was £40,000, and their car purchase price was £15,000. The finding for middle managers was a median average salary of £28,000 and a median average car price of £15,500. For the junior management/specialist, the salary was £20,000, and the car price was £12,500.

Monks' Guide to Company Car Policy, published in collab-

oration with Lease Plan UK, gives an indication of the cash limits - that is, the maximum permitted outlay - for company cars. It suggests the median cash limit for chief executives was £30,500; for other directors it was £26,000; for senior managers the limit was £22,000; while for area sales managers it was £14,000.

And what do executives choose for their money? According to Monks, a remuneration consultancy, 22 per cent of company chairmen want a Jaguar and 16 per cent a Mercedes. Rover comes a distant third in the desirability stakes at 7 per cent.

Jaguars are also the choice of 32 per cent of chief executives, followed by BMW and Mercedes (17 and 15 per cent). Some 8 per cent of chief executives choose Rover.

"Other directors" put BMW top of their list of choices in a close-run race. Some 18 per cent choose BMW, 15 per cent Jaguar, 12 per cent Rover, 11 per cent Ford and 10 per cent Mercedes. Senior managers put Rover and Ford neck and neck with 19 per cent each, followed by Vauxhall, with 17 per cent, and BMW, 12 per cent.

Vauxhall moves to the top of the popularity poll with area sales managers, being the choice of 30 per cent, followed by Ford, with 22 per cent, and Rover, 15 per cent.

Monks' research tells a similar story to Mercer's. It says: "Although the majority of directors and senior managers are permitted the choice of any car, subject to a price limit, a matched sample of comparison shows that an increasing percentage are being restricted to a defined list of models. In the important area of sales, an increasing number of companies are either permitting sales representatives no choice or no longer permitting the choice of any car."

Sales representatives may no longer get a choice of car

Companies are also attempting to cut the provision of fuel for private motoring. Monks reports a "marginal reduction" in the number of companies providing this perk. "The findings continue the trend observed in 1993 of an increase in the percentage of companies offering no fuel and a decrease in the number offering some," it says. However, "the more senior the employee, the more likely he or she is to receive fuel for private motoring."

And when are senior managers entitled to change their company cars? Monks says 37 per cent of chief executives can replace their cars after three years. A further 48 per cent keep their cars for more than three years. The most popular mileage for a change is 60,000 (24 per cent) but 32 per cent of companies do not specify a mileage limit for their chief executives.

The pattern is very similar for "other directors," with 33 per cent exchanging cars at three years and a further 50 per cent keeping them for more than three years. Once again, the most popular mileage limit was 60,000 (25 per cent) and 28 per cent of companies specified no mileage. Another sign that companies want more value for money from their company cars - no matter what the user might feel about it - comes when Monks reports "a continued increase in the number of companies choosing 60,000 as a mileage limit [for all their cars], with four years now being the most popular time period for replacement."



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EXECUTIVE CARS 4

Arthur Way explains why four-wheel drives are keeping their grip

Smart suits appreciate low depreciation

In a manner that reflects their progression along a muddy track, four-wheel drive vehicles (4x4s) have shown no signs of faltering during recent years in the UK marketplace.

At 53,561 units in 1993, demand for 4x4s - also known rather quaintly as off-road cars - was double the level of just two years earlier, and eight times as high as 10 years ago.

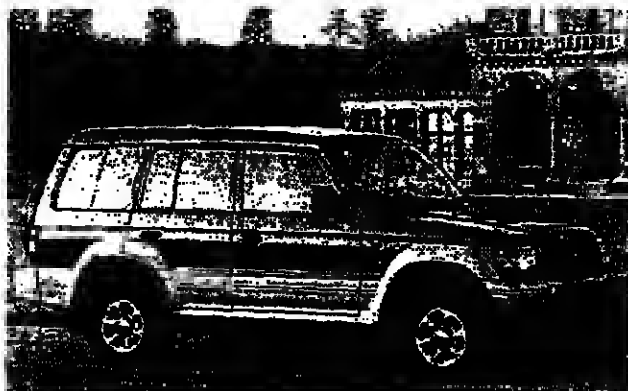
These numbers refer to the entire off-road car sector, which can be divided into three main groups. At one end of the spectrum are such vehicles as the Daihatsu Fotorak and Suzuki Vitara. These often come in soft-top variants, favoured by younger owners for their affordability and the element of "fun" they provide. As such, they do not fall into the executive category.

Next come the mid-range models, typified by Ford's Maverick and its cousin the Nissan Terrano, both of which are manufactured in Spain. These are closer to executive-car territory and, in some cases, are chosen by senior management for their mainstream transport. Finally, there are the "heavyweight" 4x4s, including Chrysler Jeep's Cherokee, Isuzu's Trooper, Land Rover's Discovery and Range Rover. Mitsubishi's Shogun and Vauxhall's recently introduced Montero. These models are moving to centre stage in the executive car market, with the result

that sales have increased substantially and more manufacturers have entered the sector. At first glance it is somewhat puzzling why this should be so. After all, executives are associated with smart suits, briefcases and travel between one company car park and another, rather than country garb, holes of straw and the need to cross rough terrain. The apparent absurdity is compounded by the terms of business-user insurance policies, many of which forbid off-road use. There are, however, two compelling reasons why 4x4s have become so favoured as executive transport.

First, fleet managers, finance directors and proprietors of small businesses are looking with increasing favour towards 4x4s, because of their high residual values. Mitsubishi, for example, states that the Shogun loses only about 15 per cent of its value in the first two years. In contrast, a typical executive car may lose half of its original purchase price during the same period.

Second, latest versions of 4x4s incorporate many of the characteristics and features of large luxury cars - such as



Mitsubishi's Shogun 2.8 Turbo Diesel five-door model



Chrysler's Jeep Cherokee 4.0

ABS braking, airbags, air conditioning, automatic transmission and leather seats. They drive and feel like a car, and have comparable performance, while many users appreciate the commanding position high above the traffic and the feeling of safety which this brings. Moreover, there are a variety of additional attributes, ranging from high load-carrying capacity and the ability to travel with assurance during inclement weather.

According to the leading suppliers of heavyweight 4x4s, typical buyers are business and

professional people in their late 30s or early 40s, who have an active lifestyle. Although the vehicles rarely - if ever - leave a made-up surface, quite a number are fitted with a tow-bar, which suggests that some owners use them to pull equipment such as boats, gliders and horseboxes.

Evidence from the market-place indicates that a fairly wide range of cars is being traded in for 4x4s. Buyers of Land Rover's Discovery, for example, tend to have had large estate cars, whereas Range Rover buyers are trad-

ing in marques such as BMW, Jaguar and Lexus. Land Rover is the market leader by a wide margin, thanks to its legendary Range Rover and highly successful Discovery. The latter was launched towards the end of 1989, since when more than 125,000 have been produced, of which around 65 per cent have been exported to 50 markets, making the model Britain's main contribution to the global 4x4 leisure market.

The Discovery is distributed in Japan through two channels - Rover Japan and Honda's

Verno network, where it is sold as the Honda Crossroad. In an important move, the model was launched in American during April 1994. Land Rover sells around 5,000 Range Rovers a year in this market, and expects to see the Discovery achieve double that number.

Prospects have been enhanced following the introduction of the 1995 model version (in March 1994). This has a new interior and manual gearbox, together with a reworked engine which provides greater refinement.

Mitsubishi has established a loyal following with its Shogun model, which is the world's best seller in the 4x4 off-road car sector. Since its launch in 1983, the company has produced more than 1m units, and annual sales currently amount to around 180,000. In the UK, though, the figure is below 4,000 - representing 25 per cent of Mitsubishi's import quota - and is unlikely to rise significantly in the short term, due to continued restrictions on Japanese imports. The absence of this constraint, sales would undoubtedly be noticeably higher.

Mitsubishi reports growing interest on the part of executive buyers for the Shogun, particularly during the past year. Chrysler Jeep's experience, since its debut in the UK at the beginning of 1993, provides a good indication of the 4x4 market's buoyancy. A first-year sales target of 2,000 turned into actual sales of 4,000 units, of which 3,500 were Cherokee models bought principally by business people. The target for 1994 is 5,000 sales, including 4,500 Cherokees. Chrysler Jeep reports that the majority of trade-ins are quality saloon

and estate cars with few 4x4s. At the moment, only petrol-engined versions are available, but a turbo-diesel is scheduled to arrive later in the year.

Vauxhall is another entrant, following the introduction of the Montero in May 1994. The company is targeting the model (which is made by Isuzu in Japan) at executive car buyers who are on the verge of trying something different. The sales target for 1994 is 2,000 units, of which 70 per cent are expected to be the long wheelbase 5-door version.

The future of the executive 4x4 sector looks good, as more people in the position to afford heavyweight 4x4s recognise their characteristics. Recent changes to company car taxation - whereby scale charges are assessed on purchase price, rather than engine size - may help the sector's development, since many of the models feature large engines in the 3-4 litre range and were unduly penalised under the previous system.

In addition, as tax scale charges are notched up to reflect more closely the monetary benefit of having a company car, executives are more likely to choose the model they really desire, rather than some identikit executive saloon. Under these circumstances, maybe the greatest threat will come from the growing ranks of multi-purpose vehicles - another alternative sector.

Paul Taylor investigates the latest in in-car communications

Travelling businessmen can keep in touch

Radio waves have beamed a one-way stream of information into moving vehicles ever since the first car radio was fitted. But, over the past decade, advances in data processing and cellular radio-telephony have added a new two-way "interactive" dimension to in-car communications which is already increasing the productivity of the travelling executive on the road.

Leaving the office no longer means forsaking the facsimile machine, the telephone system and the telephone. Cellular radio telecommunications services in particular have proved to be a valuable business tool, initially for voice, and now for data communications.

Equipped with the right cellular telephone handset, a portable computer and a fax-modem, it is now possible to exchange data with head office, collect electronic mail or send a facsimile message while on the move. Where a hard copy is required, lightweight high quality portable printers are now available, as are notebook PCs with built-in inkjet printers.

If secure high quality voice-only telecommunications are required, the business traveller will soon be able to use one of

the new pan-European GSM-standard digital cellular telephones to make a telephone call almost anywhere in Europe. In a couple of years satellite-based systems will offer digital telecommunications services from anywhere on earth. Alternatively, if data transmission is needed then a new breed of dedicated mobile data service operators has begun to appear.

This revolution in mobile telecommunications started in the US in the early 1980s and spread to Europe via Scandinavia and the UK in the mid-1980s. Since cellular radio telephone services began in Britain in 1985, the number of subscribers to the two original analogue networks, Cellnet and Vodafone, has grown to about 2m - or a fifth of the total 10m cellular telephone subscribers in Europe.

From the outset, cellular telephones found their way into executive vehicles in the form of dedicated carphones. In equipment terms carphones

still provide a cost-effective option for the corporate fleet, but lightweight pocket-sized hand-portable telephones have come to dominate equipment sales in recent years. Most of these handsets can also be used with a car kit - which extends battery life and provides better reception - but

A fifth of Europe's 10m cellular subscribers are in the UK

can also leave the vehicle along with the user.

Meanwhile, the range of cellular services available to the business user has expanded dramatically in the past two years. In particular, digital cellular technology has led to a second generation of cellular networks in Europe, while encouraging the operators of the older analogue networks to cut prices and re-organise their tariff structures.

In the UK Cellnet and Voda-

fone offer a total of six different tariffs on their analogue networks. In addition both have built digital networks based on the GSM standard. In Britain, where the old analogue networks still provide superior national coverage, have been cut to £100 or less and the uptake of these new GSM services has been relatively slow.

However, in Germany and other markets where analogue network capacity was restricted, or had not been developed, GSM subscriber numbers have grown rapidly over the past two years. In some markets, particularly Denmark and Germany, aggressive marketing has already resulted in the elimination of the price premium on GSM equipment.

The launch last year of the Mercury One2One service in the UK - the first PCN (Personal Communications Network) in the world - followed by inauguration of

Orange, the network owned by Hutchison Telecom, in April has provided subscribers in Britain with further options. Orange's tariff structure in particular is designed to appeal to high volume business users. In Europe PCN networks are also planned in Germany and France.

In the longer term these digital cellular services should have another key advantage over their analogue counterparts - digital technology makes it much easier to transmit data over a cellular radio network.

The liquid crystal displays on GSM and PCN handsets can potentially be used to provide a sophisticated pager and message service. In addition, handsets equipped with an appropriate socket should eventually be able to accept data from a notebook PC or a handheld personal digital assistant, without the need for a modem.

In the meantime, however, it is perfectly possible - though somewhat more difficult and

less reliable - to send or receive data over an analogue network using a special wireless modem and handset. Another alternative is to sign up for a dedicated mobile data service, such as the Ram Mobile Data network in the UK, that is designed to work with portable PCs and other

The driver would be alerted by a computer generated voice

digital equipment such as facsimile machines at high speed.

Digital radio in either cellular or satellite form, is also likely to provide the communications backbone for another set of productivity enhancing tools for the motorist - so-called route guidance and congestion avoidance systems.

There are already a number of commercially available route guidance systems in use in the UK and elsewhere. Among the real-time systems

is Trafficmaster, which is used by more than 4,000 British motorists. It is a dashboard-mounted unit which tells drivers about traffic speeds on about 1,000 miles of motorways in the south and midlands, pinpointing delays and estimating travel times.

The information is collected by infra-red sensors placed on bridges and gantries over motorways which monitor the speed of passing traffic and send the information to a control centre in Luton from where it is relayed immediately to subscribers' vehicles.

More sophisticated systems integrating problem identification, satellite global positioning systems and route guidance are likely in the next decade. Much of the groundwork for these systems has been undertaken under the aegis of EU-sponsored research programmes such as Promethus which have brought together the big European vehicle and components manufacturers in strictly non-com-

petitive collaborative research. Some researchers are already suggesting that by the end of the century in-car electronic navigation equipment, working with global positioning systems, will allow a driver to follow the progress of a journey on a moving map shown on a screen, or enable emergency services to pinpoint a disabled vehicle.

Research is also being conducted in the UK and elsewhere into Radio Data Systems which would allow local broadcast information to replace national broadcasts in digitised form. This up-to-date data would be decoded by the in-car navigator and the driver alerted to problems ahead either via a text display, or by a computer generated voice.

What seems certain is that the next generation of communications technology will enable the travelling businessman to send and receive vast amounts of information. At the same time, increasingly sophisticated data processing equipment will enable this information to be analysed, manipulated and displayed more easily - and integrated with other in-vehicle electronic systems ranging from entertainment equipment to collision avoidance systems.

Richard Feast on private contract purchase schemes

Leasing catches on in Britain

A two-year-old scheme to get private buyers into new cars has met with such success that many in the industry expect it to account for half of all private transactions in the future.

The format, which works on the basis that most buyers are far more interested in the size of the monthly repayment than the total cost, was imported from the US, where it is known simply as leasing.

In Britain, leasing attracts VAT, a tax which is already included in a new car's retail price, and this has prompted the Finance and Leasing Association (FLA) to come up with the generic term, private contract purchase (PCP).

The first such scheme in the UK, Ford's Options was introduced in 1992 in the run-up to the August sales boom.

Ford's big rivals were quick to follow - Vauxhall with Choices, Rover with Select, Peugeot with Passport and so on. Now, practically every car manufacturer has a PCP. Early problems, caused largely by a lack of dealer training, seem to have been ironed out.

The attraction of a PCP is that a driver can get behind the wheel of a new car for relatively low monthly payments. "As it is aimed at private purchasers, we find Select is skewed towards our smaller cars, the Metro and 200," says Mr John Lowndes, marketing operations director at Rover.

Mr Andy Green, sales director of Nissan, which was one of the last into the arena with its Preferences scheme, adds: "PCPs are particularly attractive to younger drivers."

The schemes differ in detail, though the principles are similar. A driver is required to make a deposit of 30 to 40 per cent. When the contract is drawn up, the dealer estimates the car's value after the end of the agreed period (either two or three years) based on the driver's projected annual mileage (6,000, 12,000 or 18,000). The driver then pays a monthly fee based on the difference between the new and second-hand prices, plus interest charges.

At the end of the fixed term,

the customer can decide to keep the car by making the final "balloon" (or lump sum) payment, swap to another new model, or simply walk away. Thus, a £6,500 model such as a Citroen AX can be driven for three years for under £100 a month. A £13,000 car such as a Ford Mondeo costs under £220 a month over a two-year period.

A PCP does not make a car any cheaper; the difference between the final cost of a hire purchase agreement and a PCP (including the balloon payment) is small. But it does make it more affordable in the

short term. It presents the customer with a fundamental alternative to car ownership: it offers the opportunity of paying just for the use of the vehicle, rather like a long-term rental agreement.

The schemes arrived at a fortunate time for the motor trade. New car demand was still depressed after several years of expanding demand. Even the recent quickening of pace in sales has come mainly from fleet purchasers where orders are counted in terms of 25 or more cars. The private, or retail, side has lagged behind.

PCPs have stimulated interest among private buyers at a time of considerable economic uncertainty. The schemes, with their fixed, low cost monthly outlays, give consumers peace of mind when so much else is uncertain.

Repair costs are covered by the manufacturer's warranty and some purchasers carry roadside assistance programmes. The only additional outlay is common to all cars: insurance, tax and servicing.

Some of the more recent PCPs are going further. Toyota's Terms plan can be extended to include regular servicing. Citroen's new Elect scheme can be expanded to include items that wear out such as tyres.

"If you look at PCPs within the finance-funded sector, they moved from nothing to about 25 per cent within 18 months," says Mr David Nash, public relations manager of Ford Credit, reports a similar performance. "Ford is doing between a quarter and a third of its retail business through Options," he says.

Ford, Rover and other companies expect PCPs will eventually account for one in every two private car transactions.

Ford, which tested Options regionally for two years before the national launch, reports that 68 per cent of early customers are renewing their original plans and seven out of 10 are choosing a newer model under the terms of the PCP. The remainder are either buying the original car or switching to other manufacturers.

"Our long-term goal is to retain an Options customer for life," declares Mr David Flannigan, managing director of Ford Credit - one of the reasons his competitors decided to join the PCP bandwagon so rapidly.

In the US, leasing now accounts for one in six new cars, and Ford recently began testing similar schemes in the Netherlands and Spain. However, PCPs are not a feature of the motor trade in most other European countries because of VAT and personal tax regulations.

Kenneth Gooding on the lightweight metal that is challenging steel

All-aluminium on the road

Audi's new all-aluminium executive car will be the first of many. That is the confident prediction of Mr David Schlendorff, president of Alcoa's automotive structures division. Alcoa, the world's biggest aluminium group, and Audi have jointly developed the new Audi A8 - the German company hopes to sell 20,000 a year.

Alcoa is supplying skeleton-like spaceframe bodies for the Audi from a new plant at Soest in Germany on which it spent DM140m (about \$81m). Audi expects to take up the rest of the capacity at the Alcoa plant with another niche car, which will be produced in slightly higher volumes than the A8, as well as being less expensive.

"Five years from now in Europe you'll see at least 10 aluminium spaceframe-bodied niche cars, either in production or announced by a number of manufacturers," says Mr Schlendorff.

Audi, which spent about DM1bn (\$600m) on the A8, and Alcoa, decided to find a new way of making cars. As aluminium is initially much more expensive than steel, they believed it would be too costly simply to substitute aluminium components for those traditionally made of steel.

Instead, they designed a car that has many fewer individual components and structures than are used in a steel vehicle. They developed a spaceframe composed of fewer than 100 extrusions and castings compared with 300 for a stamped steel body. New manufacturing processes had to be developed to produce these spaceframes as well as new aluminium alloys, claimed to be safer than steel.

For car makers the new technology offers several advantages: it cuts the weight of a car's body by about 35 per cent compared with steel bodies without reducing the vehicle's size; it reduces tooling expense by as much as 50 per cent; and cuts the number of parts to be stocked and the time taken from design to production.

However, at present the process is economic only for production runs of up to 100,000

cars a year. But Mr Schlendorff says Alcoa is ready to spend another \$1bn or so on a partnership with a car manufacturer wanting to produce the first high-volume (more than 100,000 a year) aluminium-bodied cars. He expects to set up at least two more plants in Europe within five years. By the end of the decade Alcoa may have installed a satellite production system to make aluminium bodies across Europe.

Meanwhile, Alcan of Canada, Alcoa's biggest competitor, is taking a different route to high-volume, all-aluminium car production. In partnership with Ford, the world's second-largest automotive group, Alcan is developing a new aluminium body for the Ford Taurus. The car is expected to be launched in the autumn of 1995.

The group is already the biggest user of aluminium in the US motor industry. Its experimental vehicle, Synthesis 2010, which is a rolling test bed for new automotive technology - including a three-cylinder, two-stroke engine made of aluminium - has a body made of aluminium. Synthesis achieves weight savings of about 1,000lb compared with the present steel Taurus, while having about the same interior dimensions.

Weight saving is the big incentive for the US and Japanese car industries to turn to lightweight aluminium. The US government is imposing ever-tightening fuel economy standards and aluminium enables carmakers to meet those standards by reducing weight without any loss of performance.

However, the main incentive for European carmakers is a conviction that car recycling will become a big issue in future. European companies are also enthusiastic about the high-performance characteristics aluminium gives to cars.

All the big aluminium companies now have co-operative programmes with either a carmaker or a vehicle components supplier. For example, Hydro Aluminium, part of Norsk Hydro, Norway's biggest industrial group and Europe's big-

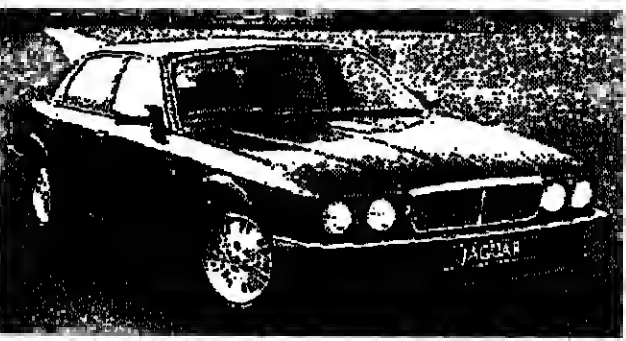
gest producer of aluminium extrusions, has a vested interest in the success of the spaceframe concept, which could be a big user of extrusions in future. Hydro has also been operating on car spaceframe concepts since the mid-1980s with Renault in France, Porsche in Germany and Pininfarina in Italy and recently signed a co-operative agreement with Sumitomo of Japan.

Last year Hydro started supplying aluminium sub-frames from a Michigan factory for General Motors' new Corvette sports car. The sub-frame was previously produced from stamped aluminium sheet. Mr Ted DiGiuseppe, vice-president of sales and marketing, Hydro Aluminium Automotive Structures, says his company's sub-frame weighs only 11kg, or 25 per cent less than the stamped aluminium equivalent and also saves 75 per cent on tooling costs - an important consideration with a model to be produced at the rate of only 20,000 to 30,000 a year. In total, the extrusion sub-frame costs 18 per cent less than the stamped one.

Mr DiGiuseppe remains to be convinced that the Ford-Audi concept of replacing steel with "skins" with aluminium will not be too expensive. He admits, however, that companies such as Hydro which are offering aluminium spaceframes have the difficult task of persuading car companies not only to use a new material, but also new manufacturing processes.

Alcan's Mr Frontini says: "The choice of technology is up to the auto companies. And Ford has firmly decided that the stamped unibody is the answer."

The debate will continue, but whatever the outcome, one way or another the automotive industry will use a great deal more aluminium in the future. A US Aluminium Association study showed the average 1991 US-built car contained 191lb of aluminium, 47 per cent more than in 1981. It is estimated 1994 cars will contain about 235lb and Ford expects that, by 2005, the average will reach 500lb.



Top-of-the-range models (from top): the Jaguar XJ6 Gold, the Rover 600 and the Renault Safrane Baccara

John Nicolais



GS300.

LS400.

It's quiet in a Lexus LS400. Virtually all noise has been designed out.

For instance, steel and resin 'noise sandwiches' blanket the cabin. The drivetrain is in one straight line to reduce vibration. The engine is a smooth 4.0 litre V8.

In fact, you could hear a pin drop, if it weren't for the deep pile carpet.

But what's left is a silence no ordinary

sound system could cope with. So Lexus created a system uniquely appropriate to the LS400. An ideal sound field ensures that, wherever you sit in the LS400 cabin, you hear the same rich sound quality.

At the corners of this field are seven speakers. Two dome tweeters for high sounds, four full range speakers and an eight inch subwoofer for a fuller bass sound.

The system produces 180 watts maximum power. (Well, there is a lot of silence to fill.) And, as if it isn't already

a system to make even audiophiles question their domestic listening arrangements, it can be upgraded further. With a remote six-disc CD auto-changer.

But can a car's sound system ever be a reason to buy the car?

Certainly it can if it's indicative of the unheard of lengths the maker has gone to in developing the whole car.

Unfortunately, we can think of only one car which qualifies. See your Lexus dealer for a sound check.



Lexus LS400.

Driving a Lexus LS400 improves your hearing.

EXECUTIVE CARS 6

Motoring's growth stock in Britain in 1993 was unquestionably the diesel car, writes STUART MARSHALL

Initial industry forecasts of 200,000 sales for diesel cars in the UK last year were rapidly overtaken by events. In the end, 340,500 diesel cars were registered for a market penetration of 19.1 per cent. But can the bull run in diesel cars continue?

The answer is almost certainly 'yes' though the signs are confusing. In the first three months of this year diesels took 21 per cent of registrations. Yet in March one of the leading contract hire companies, Leasecontract, made some feverish public statements that spoke of "utter diesel madness" and forecast crashing residuals that would lead to "terrible financial pain."

So who is right? The doomsters or the companies who continue to vote with their feet by telling employees - from junior rep to managing director - that in future, like it or not, they are going to have to drive diesel cars?

It is fair to point out that similar doom-laden forecasts were made a year or two ago by people in the contract hire business whom one expected to

know what they were talking about. They turned out to be totally unfounded. Expert forecasters were embarrassed. Technology has transformed the performance and refinement of today's diesel engines. Business motorists who reckon they are noisy, sluggish and smelly are either parading their prejudices or have never driven one.

It is true that most diesel cars still sound a bit gruff when they are started up from

Doom-laden forecasts turned out to be totally unfounded, embarrassing some experts

cold. Once they are driven off, though, even a trained ear finds it difficult to tell the difference between the best of them and a petrol-engined car. The strongest cards in the diesel's suit have always been reliability (there is no electric ignition to go wrong) and economy (up to 30 per cent lower fuel consumption in real world driving conditions). They are still winning cards - but are diesels as environmentally friendly as their advocates claim?

The cold, hard facts say they are actually cleaner than petrol cars with the most elaborate kind of exhaust catalyst. But logic has to struggle with emotion: when clapped-out urban buses and ill-maintained, often overloaded lorries are seen to be spewing out stinking smoke, diesel cars become tarred with the same brush.

Flawed and superficial reports from bodies like Quarg (Quality of urban air review group) muddy the waters further. Earlier this year, Quarg expressed concern over the rapid growth in diesel car sales "unless problems of particulate matter and nitrogen oxides (NOx) emissions are effectively addressed."

In fact, although diesel cars emit twice as much NOx as petrol cars when new, they then improve while petrol cars get worse. Over their entire working life, total NOx emissions are no different. On short journeys after cold starts, diesel cars produce one-tenth of an equivalent petrol engine's pollutants. And catalysts wear out or are damaged in service to a much greater extent than most motorists - and environmentalists - appreciate. Cowie Interleaving

reported recently it had had to replace 75 catalysers on the relatively small number of cars so equipped in the large fleet it manages for corporate clients.

Managing director Neil Fyke says the replacement rate for catalysers - "one of the modern motor car's most delicate and expensive components" - was "unacceptably high."

Catalytic converters can shatter even in a low-impact collision and were liable to be damaged by driving too fast over a traffic 'hump' or mounting a kerb. But about 35 per cent fail "for quite inexplicable reasons," he says.

One car manufacturer had advised Cowie Interleaving to make maintenance provision for one 'cat' replacement per vehicle per three-year contract. As they cost between £300 and £500, this could hit private motorists hard.

It could also make the gloomy forecasts of a meltdown in diesel residuals look wide of the mark, if only because auction prices for three or four year old ex-fleet cars from about 1996-97 must reflect the cost of possibly imminent catalytic converter replacement.

As for the diesel cars themselves, they simply improve all

the time. The French PSA Group (Peugeot-Citroën) made the running for a number of years. Though its products - Citroën AX, ZX, Xantia and XM and Peugeot 106, 306, 405 and 605 - are as good as ever, they no longer enjoy a monopoly of excellence.

PSA's 12-valve, 2.1-litre engine used in the Citroën XM and Peugeot 605 is about to be enlarged, which will give these large, comfortable and economical

The strongest cards in the diesel's suit have always been reliability and good fuel-economy

local executive-class cars a mid-range performance boost without significantly increasing fuel consumption. The 2.1-litre unit would drop nicely into a Citroën Xantia because it is based on the same block as the 1.9-litre XUD engine.

With automatic transmission, this could be the compact, elegant and high-performing diesel many a business motorist - whose employer's budget does not extend to a BMW or Mercedes - is waiting for. Mercedes-Benz offer super-

smooth, four valves per cylinder diesels with four, five or six cylinders in the C-Class and E-Class.

In power output they are out-ranked by BMW's superlative, in-line 6-cylinder diesels which come with turbo-charging and intercooling; the naturally aspirated Mercedes engines are stayers rather than sprinters.

Vauxhall (Opel) buys smooth yet muscular four-cylinder turbo-diesels from its Isuzu associate and the new Omega diesels have in-line six-cylinder engines bought in from BMW. These Omega diesel saloons and estates, which can be had in the most luxurious trim levels, with air conditioning and automatic transmission, will be pace-setters among executive diesels at down-to-earth prices.

Before long, Rover, which currently buys four-cylinder engines from PSA for its smaller diesel cars, will be offering a diesel version of the 600 with the ultra-economical direct-injection engine, jointly developed with Perkins.

Rover pioneered the direct-injection car diesel engine. Audi and Fiat have them too, though the Fiat DI is not sold in Britain.

Other makers will be taking

the direct-injection path to even better fuel economy than is offered by the indirect-injection engine. Injection equipment capable of delivering the very high pressures needed by the small, high-speed DI engine has been developed by Lucas and other suppliers and is now in volume production.

So far, the Japanese manufacturers have been less enthusiastic about selling diesel cars on the UK market than their mainland European competitors.

An interesting development is Mazda's decision to introduce a diesel version of the 626

to Britain with a belt-driven supercharger rather than the otherwise universal exhaust-gas driven turbocharger.

The main benefit of belt-driven supercharging is that the extra power and torque is on tap at very low engine speeds, whereas a turbo-charger does not have much effect on performance below about 2,000 rpm.

The technique is well known: Opel had a supercharged diesel version of the Senator some years ago. It made the elderly and unrefined 2.3-litre engine much better, but not good enough to match the more sophisticated engines then available in Mercedes-Benz diesel cars.

Mazda claims the 626 supercharged diesel goes exactly like a petrol car under all driving regimes. Competing manufacturers will be keeping a close watch on developments.



The fortunes of Vauxhall, the Blackpool, England-based specialist sports car maker, are being transformed by the introduction of a series of new models pitched against Porsche and other 'super-cars'. They include the £33,000, 180mph GT1000, above, and the £26,000 Chimera.

New confidence in sports car market

Are congestion, environmental legislation and associated factors finally killing off the sports car and romantic notions of the open road?

The new product programmes of some of the world's biggest car makers, and the resurgent fortunes of some of the smallest, suggest the very opposite.

Porsche, the German luxury sports car maker, itself is now in the middle of a drastic overhaul, with new management, new methods and an impending new product range which, it claims, will return it to comfortable profits and 30,000-a-year output within the next four or five years.

If its predictions are borne out, they would reinforce the assertions of industry analysts that the sales slump was a manufacturer, not a market, problem, and that despite road congestion and other adverse environmental and legislative pressures, there will remain enough sports car enthusiasts - or at least people prepared to pay for "something different" - to justify manufacturers of all sizes investing in products for them.

Unlike mainstream sectors such as saloon cars, the 'sports car' market is so multi-faceted as to defy easy categorisation. It embraces individual company production levels from a few dozen a year to approaching 50,000, and prices from under £10,000 for near-kit cars to the £400,000-plus "super-cars" of McLaren and Jaguar.

At one end of the spectrum, UK-based Morgan is earning a modest but steady living from producing around 500 versions a year of a two-seater with its origins in the 1930s. At the other lies Japan's Mazda, which has almost single-handedly filled the vacuum left by MG with its 'cheap' - £16,000 in the UK - MX-5 roadster.

In the US, where MG's were once by far the biggest selling sports car, the MX-5 has achieved peak sales of 36,000 units in a single year. As with Porsche, its fall to around 22,000 in the US last year is believed to reflect more the ageing of the model itself in what is inevitably a fashion-conscious sector of the market than any weakening of the sports car market itself.

It is this consumer capriciousness, coupled to the oil crisis and recession of the early 1980s, which for a long time frightened most Western volume producers out of the sports car market.

Equally, more manufacturers are taking heart from the belief that there is a worthwhile market and from advances in simultaneous engineering and other technologies that favour smaller production runs.

For example, there were the decisions of resurgent Chrysler to put into production its outrageous, eight-litre, V10-engined Viper open two-seater sports car and, in the past few weeks, to add a coupé version of the same model. More than 1,000 Vipers have already been sold, despite a £55,000 price tag.

The same confidence inspired Ford to invest in a new Mustang which harks back to the sports car concept of the original 1960s models. Meanwhile, General Motors' sports car, the Corvette, regularly finds a 20,000-plus mar-

ket in the US. A two-seater sports car is to enter production next year at BMW's 80,000 cars a year plant in Greenville, South Carolina.

Problems of definition blur the size of the sports car market in Europe, because many manufacturers consider coupés like the Opel/Vauxhall Calibra and the new Ford Probe as legitimate successors to some of the traditional open two-seater market.

When these are included, industry monitoring group Automotive Industry Data suggests, there is an available market in Europe of between 250,000 and 300,000 units. Certainly it is big enough to tempt back some large manufacturers who had previously all but abandoned this market. Fiat, which owns Ferrari, Lancia and Alfa Romeo, is launching a two-pronged attack with an all-new Fiat coupé and an equally new open two-seater Alfa, the Spider.

Thanks to new engineering and production technology, financially hard-pressed Fiat has gone ahead with projected volumes of around 20,000 a year. Indeed the Fiat coupé, which uses Tipo hatchback floorpan and mechanicals, is a pet project of Fiat Auto managing director Mr Paolo Cantarella. It may not make much money in itself, but he expects the glamour of the sleek two-seater, now on sale to benefit the group's more mundane but bigger volume models struggling for a bigger share of Europe's mainstream market.

Similar calculations are evident in other parts of the industry. All last year General Motors was touting around Europe's motor shows the Tigra, a small two-seater based heavily on GM's small European hatchback, the Spanish-built Opel Corsa. If the public liked it, GM promised, the company would build it. It has now given it the green light.

Perhaps the most eagerly-awaited new sports car of all will emerge in the UK next year - the first genuinely 'new' MG since the demise of the MGB more than a decade ago. Rover group, now part of BMW, is taking an unusual route to market with the range of small MG sports cars it intends to launch in Europe and Japan in 1995, some 15 years after killing off the "B" of which more than 500,000 were produced.

The car's body is being designed, developed and manufactured by Motor Panels, the Coventry-based subsidiary of the Mayflower engineering group. Mayflower is investing up to £24.2m for the initial engineering design, development and tooling work, including the production facilities for the body shells.

The two companies expect to share the profits from the project, code-named PB3. The car will use a 1.6 litre version of Rover's avant garde K-series engine, cost around £15,000 and is envisaged to be produced at a rate of 15,000 to 20,000 a year.

Rover has already paved the way for the MG marque's revival with the launch last year of the EV8, an updated, limited production version of the MGB using Rover's V8 engine from the Range Rover.

John Griffiths



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CHEMICALS AND THE ENVIRONMENT

Thursday June 30 1994

After decades of assaults by lobbyists, chemical companies' biggest headache is now the mass of laws curbing their operations, says Daniel Green

The day of the lawyers has arrived

Fear is an important factor in the chemicals industry's management of environmental matters. Industry leaders and their companies can face vast liability suits if there is an accident. Even everyday operations can become bad publicity.

Some of these fears have begun to fade in the mid-1980s. In their place is the spectre of being overwhelmed by national and international legislation.

Chemicals companies already employ thousands of people in the environmental monitoring and control of plant and processes. Yet the pace of introduction of new laws is undiminished. Executives are caught between the need to demonstrate that they are cleaning up their businesses and the desire to limit the administrative burden that this requires.

A decade ago, the agenda was set by the lobby and pressure groups such as Friends of the Earth and Greenpeace. They dogged chemicals manufacturers, pointing an accusing finger at smokestacks, dumped by-products and river discharges.

Although the industry was joined, its solution was in the end, simple: create a department whose job it was to fight back in the propaganda war.

The result was a whole series of initiatives ranging from case studies of substances once dumped but now used productively, to the creation of the "Responsible Care" movement - a voluntary programme covering health, safety and the environment - now embraced by virtually the entire European chemicals

industry. "We initially resented the obligation for publicity," says Mr Michael Edwards, general manager for health, safety and environment at BP Chemicals. "But now we can demonstrate our progress."

The old publicity machine still requires oiling. But individual feel-good stories have become the environmental equivalent of wilderness and apple pie - and everyone has them.

Most large companies can point to impressive track records in cutting emissions and recycling waste, and they publicise them in glossy produced reports.

But today the departments devoted to "generating" a response to pressure groups have largely sunk. The teams of specialists have been dispersed. Managing emissions has become an everyday part of general management.

The pressure groups' legacy is the determination of politicians to legislate and regulate the industry. That means that chemicals companies are increasingly turning for help to lawyers and government affairs experts rather than public relations executives.

At the top of the European list of priorities is a proposed directive from the European Commission largely based on the UK's 1990 Environment Protection Act (EPA).

The UK is the model because the EPA introduced the concept of integrated pollution control, the notion that it is not enough to legislate for the reduction of emissions of one

kind or another. If airborne emissions are cut but at the same time water discharges increase, the object of pollution control legislation is not achieved. The solution is to integrate the monitoring control of chemicals plants, rather than to look at each substance produced individually.

Under UK law, "you have to formalise your systems with regard to the environment," says Mr Neil Budworth, safety officer at the UK operations of German chemicals company Bayer. "You have to take into account all emissions, where they go, how they are controlled, what the management systems are and what the history of complaints is."

The company compiles a report that includes not only these details but carefully thought out proposals for controlling the emissions. The report is submitted to the UK government for the proposals to be approved, or otherwise. Once authorisation is secured, it must be followed by quarterly monitoring of the plant and the deposition of information for public inspection.

The task is enormously complex, says Mr Lindsay Fortune, head of health, safety and the environment at chemicals company Courtaulds. "You are right at the fringes of science. Sometimes the legislation requires you to do work that there is no science for."

He gives several examples of questions whose answers have yet to be clarified fully. How should emission limits relate to the quality of the environment? How should trigger points change with local popu-



lation density? If discharges are to be made into rivers, how should limits vary according to the capacity of the river to carry the effluent away? In air emissions, how should limits vary according to the way hills and mountain ranges and climate conspire to concentrate or disperse materials?

The industry's concerns about how such legislation works are not limited to the scientific. The costs involved are of increasing concern. Chemicals companies already spend up to seven per cent of

sales on health, safety and environmental matters.

"There are more than 300 environmental directives or laws already at the EU level alone. Between one and two per cent of the workforce in chemicals companies is concerned with the regulations now," says Mr Louis Jourdan, director of technical affairs at the Brussels-based European industry organisation, Cefic.

Rising costs are more than a matter of the quantity of laws enacted. In the UK, companies should control emissions using

government "takes of the order of six man-months to prepare. Each site typically needs 10," he says.

Yet this concern over costs sits awkwardly with the chemicals industry's acknowledgment that laws are needed.

"These laws are not in principle a bad idea," says the Chemical Industries Association's Ms Posner. "But what's happening is too much. The laws are not wrong, undesirable or unnecessary. But they are coming at such a pace that it makes it difficult to regulate and implement them. In 1993 alone there were about 40 EU instruments being adopted or going through development."

This view is underlined at the European level. Mr Jourdan of Cefic says "We like the [proposed] directive. There is nothing fundamentally wrong with it. But it is too detailed. There are provisions for the classification of substances produced in very small amounts for research and development - they are not going to be spread over fields and rivers."

The alternative, according to Cefic, is a voluntary scheme along the lines of the Responsible Care programme. "Ninety per cent of actions in a chemical plant will remain unregulated anyway," says Mr Jourdan. "We want to replace, pilot or complement regulations with a voluntary agreement."

Nevertheless, the industry and its representative bodies know that they will probably not get their way. The laws are more likely to get tougher and more complicated than simpler. One of their greatest fears is that the European Commission will look favourably on the US systems of a Toxic Release Inventory (TRI), in which every company provides exhaustive details of substances released.

Whatever ends up in the directive, the industry sees it as the start of yet more work. "The next stage will be implementing the whole thing," says Mr Fortune.

The industry is determined to lobby Brussels in its attempt to limit or at least delay the impact of the next wave of regulation, but it is preparing for

IN THIS SURVEY

RESPONSIBLE CARE: a code of practice devised in Canada is being adopted around the world

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SWISS DOUBTS: the big three chemical combines are being helped by public fears about jobs

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Illustration: Robin MacFarlan

a sharp increase in its workload anyway.

The lobbying will continue because companies face the need to allocate responsibilities, define practices, identify procedures and find the resources for implementing and maintaining environmental management, says Mr Jourdan. "All of this needs a structure. We are asking for a pause in the production of legislation. Our job used to be easy, it was about emission limits. Now it is about standards and principles."



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CHEMICALS AND THE ENVIRONMENT II

Win over the workforce and you will have done much of the hard work on implementing Responsible Care, the industry's international code of practice on environmental protection.

That's the advice of Ray Grainger, the UK Chemical Industries Association director of Responsible Care and sector businesses. He adds: "While there are a number of important target audiences for the Responsible Care message of improved environmental performance, the employees can be a company's best ambassadors and advocates."

It is hardly surprising that, as a North American creation, it is the Canadian and US industries that are blazing the trail to Responsible Care. Initiated in Canada in the mid-1980s and embraced by the US in 1988, Responsible Care is now catching on throughout the rest of the world, South Africa being the latest to join the converts.

Canada has in place all its codes of management practice, and clearly most US companies are in the advanced stages of implementing the programme. Indeed, the US Chemical Manufacturers Association is pushing ahead with third party verification of management systems and has said the companies that fail to implement the programme properly would eventually be candidates for expulsion from the Association.

Responsible Care reflects a cultural revolution that has taken place within the chemical industry.

The glossy environmental brochures that are now being published by the major chemical companies would not have been possible five to 10 years ago. Some chemical companies shied away from providing what they regarded as sensitive information, others argued that regulatory compliance was enough, while others said the information would be far too technical to broadcast.

However, it soon became clear to the most far sighted industry executives that there was a danger that companies could lose their licence to operate if they did not demonstrate a commitment to improving environmental performance. Consequently, the concept of Responsible Care was developed to provide a framework for companies to achieve policies of self improvement in key areas of safety, health and the environment.

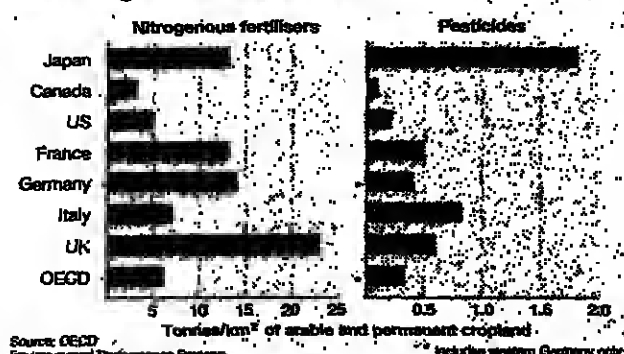
Responsible Care, born in Canada, is turning into a world-wide code of practice, writes Mike Ward

Touchstone of an industrial revolution

Company	Operating Costs \$m	Capital Costs \$m	Total Costs \$m	Sales \$m	Spending as a % of sales
Hoechst	843.17	307.74	1250.91	27.84	4.49
BASF	635.43	88.27	723.70	10.53	6.87
Bayer Group	81.82	285.97	367.79	24.79	1.48
ICI	120.12	120.12	240.23	12.08	1.96
Dow	400.00	157.00	557.00	18.06	3.08
Rhône-Poulenc	188.20	135.94	324.15	14.23	2.26
Du Pont	1000.00	500.00	1500.00	57.84	3.96
Ciba	201.07	512.49	713.56	15.33	4.65
Alcoa (HSE)	n/a	n/a	286.82	8.89	3.00
Sandoz	236.96	85.30	322.26	10.22	3.15
Roche	204.45	162.48	366.94	9.99	3.79
HULS	210.62	35.19	245.81	6.14	4.00
DSM	80.75	53.63	134.38	4.33	3.11
Exxon	n/a	n/a	158.00	10.06	1.55
Monsanto	233.00	53.00	286.00	7.50	3.82
Union Carbide	149.00	51.00	200.00	4.54	4.31
Elf Atochem	n/a	n/a	389.85	8.00	4.87

Source: Company reports

Use of agro-chemicals 1990



Source: OECD Environmental Performance Reviews

Success, however, requires support from all in the company and this is not so easy to achieve. Some sections of the chemical company are regarded as more difficult to convince of the merits of Responsible Care.

"It is easier to convince chief executives and those involved in direct implementation such as those workers in production. More difficult is the middle management which tends to be more conservative than other sections of the workforce," an industry executive noted.

Surveys done by the US Chemical Manufacturers Association and others in the US are sending out confused signals. A poll conducted by the CMA of shopfloor workers suggested that half those

polled actually doubted the industry's commitment to Responsible Care and that one third claimed to be unfamiliar with Responsible Care. Yet a poll of top executives conducted by Chemical Week and Andersen Consulting came up with greater support for the programme. More than two thirds of executives polled said that meeting Responsible Care objectives will make a significant contribution to company success, and that their companies would meet or surpass those objectives.

Just over half the sample agreed that Responsible Care was having an impact on the company's environmental performance and the public image with neighbours had improved. Only one in 10 executives said they believed that Responsible

Care would be more effective if enforced by regulations, with almost three quarters opposing the view.

Part of the problem may be that employees are aware of the good practices associated with Responsible Care. It's just that they haven't got used to the label yet. "Responsible Care is consistent with what we do. It might not be clear what the codes are called but there has been a sea change of working practices and know what to do," explains Charles Keene, of the Swiss multinational Ciba.

"Years ago people thought environmental management was something to do with the environment department but now it's all embracing and influences all decisions throughout the company."

This view is supported by Math Heymans, head of DSM's corporate environmental department. "At the manual level there are still some people that haven't made the link between our safety, health and environment practices and Responsible Care. Although there are plenty of Responsible Care themes in our own care system we are looking at both to see where there are parallels."

John Bishop at BP Chemicals believes that staff education and training is one answer to Responsible Care recogni-

tion. In the most recent employee attitude survey, 74 per cent of staff agreed with the statement that BP Chemicals has a clear environmental policy - with 10 per cent disagreeing. On the question of awareness of Responsible Care, 55 per cent of BP staff claimed to be aware of the programme to at least some extent.

"I was pleased with how high the awareness is. The process of linking health, safety and the environment with responsible care has been going for some years and we are now explicitly trying to make that connection."

Full success, however, will require that connection to be made. Cefic senior director Louis Jourdan believes that industry's commitment to Responsible Care is borne out by the support it has in spite of the recession. "Responsible Care, even in the recessionary times of the past few years, has been maintained as a high priority. It has not been relegated to the backburner."

He concedes, however, that the speed of implementation in Europe is variable. The UK is way ahead of the rest of Europe with the Chemical Industries Association taking a very active role in promoting the programme both within its membership and in public.

Although still in its early days, Federchimie, the Italian Chemical Industries Association, has managed to get a great deal of media coverage for the programme.

France's trade association, UIC, on the other hand, is taking a more timid approach,

while VCI, the German association, considers Responsible Care to be an internal matter for companies and has not been too public in its own pronouncements.

Dow Europe's Claude Fussler believes that continental Europeans find it harder to embrace the basic tenets of a voluntary system that seeks continual improvement than the North Americans and British. "The Anglo-Saxons are able to capture the mood for such continual improvement more easily."

Fussler is clearly a vocal advocate of Responsible Care

will do is shore up old products. What society needs is new products that are greener."

He suggests that companies developing technologies for plastics recycling are wasting the talents of their scientists and their money.

"They are investing in high tech solutions for low tech products." Clean technologies, he says, must embrace a new business approach. Focus should be on providing services rather than selling products. "With Responsible Care there is no incentive for com-

panies to produce better products."

He cites as an example the use of chromium in leather tanning. In the last century, leather was tanned using oak extracts and the shoes were recyclable. Use of chromium means recycling is not possible unless expensive chromium extraction procedures are employed.

Rather than investing in such recovery technology, Braumgart thinks a more sustainable solution would be to make a synthetic chemical that mimics the action of the oak extract, provide better quality shoes that can be easily recycled. "The chemical industry has the potential to provide many solutions."

In a bid to explore the poten-

cial of clean technologies, waste minimisation projects and other pollution prevention schemes, Cefic has been acting as a catalyst in the establishment of research and development consortia in the areas of sustainable technology.

So far, Cefic's Dr David Bricknell has managed to get companies to agree in principle to the idea of cooperating with other companies and academic researchers in pre-competitive R&D and select some potential areas for work.

Possible projects that could emerge from this Sustech programme include waste minimisation technologies embracing internal process recycling, new process technologies based on biotechnology and the development of tools for environmental management such as product design, life cycle assessment and improvement.

"Introduction of product stewardship measures - that is, the management of safety, health and environmental impact of products from their development, production and use to disposal - is one of the most difficult features of Responsible Care. We have to know more about what happens when customers dispose of our products after they have finished with them," explains Ciba's Keene.

Responsible Care could, however, come to grief at the hands of the Commission's competition directorate, DG IV. "We have been informed recently that DG IV is against voluntary proposals because they are worried they may have anti-trust implications. A voluntary industry/government initiative in Denmark on volatile organic compound emissions is now being investigated by DG IV officials. It is possible that Responsible Care could suffer the same fate," Jourdan warned.

Mike Ward shows how greater candour can win public trust

Disclosure is the best policy

Four years ago, Bryan Sanderson, BP Chemicals chief executive, told his executives to earn the public's trust so that the company could keep its licence to operate.

Similar messages have gone out in other parts of the chemical industry, with companies telling employees, neighbours, customers and other influential groups about the safety aspects of their operations.

International chemical companies now routinely reveal their progress in improving environmental performance. Most publish annual environmental performance reports although no common format for the industry exists. Indeed, the glossy brochures and reports that have emerged so far have been of varying scope and detail.

BP Chemicals publishes an annual report which details all its emissions from its leading sites in the US and Europe. ICI sends every shareholder and employee an annual corporate environmental report, which contains total ICI emissions, although specific emissions are available on request, while each site is encouraged to local report for its neighbours.

"The site reports are very important indeed. They are a fundamental part of the environmental communications programme," says Dr Richard Robson.

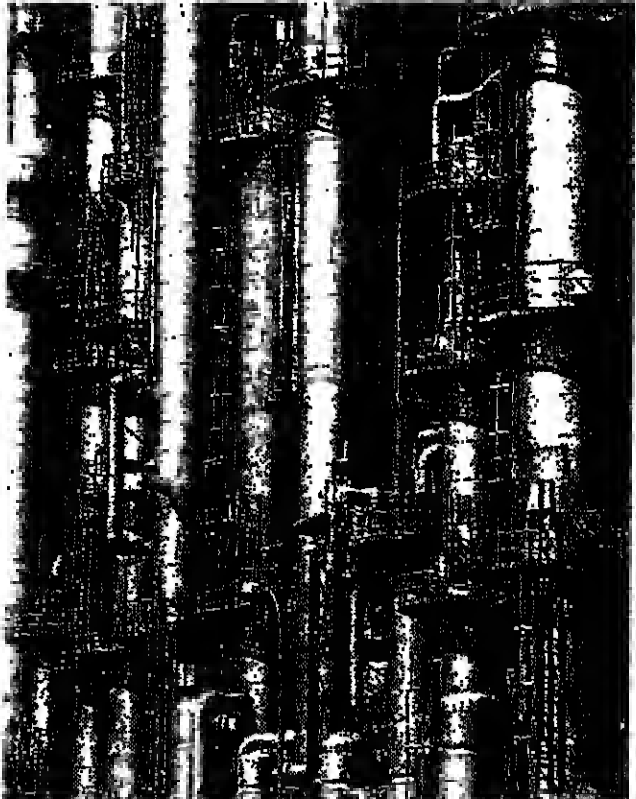
It can also help win support from some unexpected quarters. Friends of the Earth campaigner Guy Linley-Adams, commenting on ICI's Teesside report which revealed a 67 per cent cut in the site's emissions, told a local newspaper: "All companies should produce reports like this. ICI is ahead of the game in that respect."

Others prefer to use indices developed by the French multinational Rhône-Poulenc and adopted by the UK Chemical Industries Association to demonstrate an aggregate UK industry performance. They are used to identify trends rather than detail actual volumes of waste emissions.

Critics of this system claim that it can mask serious problems. Rhône-Poulenc, however, believes that they can give managers an efficient measure of how well environmental management is being carried out. In the base year, all emissions are considered by the nature of the hazard and method of disposal, then each year the environmental impact of waste in that year can be compared as a percentage of the base year.

Ironically, despite the large sums spent by some companies on producing attractive reports, it is surprising how few bother to find out whether they are providing what the public wants.

Last year, ICI asked readers what they thought of its corporate environmental report and then tailored the subsequent report according to their replies. "The messages were clear: keep it simple, keep it short, make it easy to understand, put detailed data into appendices at the back, and



Maximum visibility: part of BASF's benzol cracker at Ludwigshafen

don't make it too glossy," Robson says.

Listening to the audience is a key part of the communication process, says Claude Fussler, vice president for environment, health and safety at Dow Europe, adding that Responsible Care "is first and foremost a performance-driven programme. It is not a public relations exercise. Our efforts to engage the public in dialogue are an attempt to gain an outside-in perspective of our company and its performance."

Dow has imported into Europe the Community Advisory Panel (CAP) concept from the US. These are volunteer advisory groups comprising citizens from communities neighbouring a facility. They tend to meet regularly to dis-

But even without CAPs, the company has been able to win support from the communities surrounding its sites. A survey commissioned by BP Chemicals and conducted by independent pollsters found that 74 per cent of the company's neighbours in Grangemouth regarded the company as trustworthy. This compares very well with surveys of the industry's public acceptability in the US and the UK.

Despite these efforts chemical companies still have an image problem, although it seems to be improving, according to surveys canvassed recently by the US Chemical Manufacturers Association and Britain's Chemical Industries Association.

A survey conducted by US

Most international chemical companies now routinely publish glossy annual reports on their progress in improving their environmental performance, although no common format has yet been introduced and the reports are of varying scope and detail

plant operations, community involvement, emergency preparedness, environmental issues and other subjects related to the site.

Dow Europe's first advisory panel was set up at its German site in Rheinfelden. Stadel, in Germany, has also followed suit forming a CAP last year, while its sites in Barry, South Wales, and Tessenberg, Belgium, are members of joint public panels in their respective communities.

CAPs can be useful allies, notes John Bishop, BP Chemicals general manager communications. "A CAP at our Lima site in the US called on the US environmental protection agency to grant the company a licence to operate one particular process that was under investigation."

pollster Roper Starch World-wide late last year suggested that US public concern for the environment may have peaked and that enthusiasm for regulating business may be waning. The pollsters found that 44 per cent of those surveyed had a favourable view of the chemical industry - up 7 points from an all time low rating in 1992.

A similar trend may be occurring in the UK. According to a survey by pollsters Mori on behalf of the Chemical Industries Association, more British people say they have a favourable impression of the chemical industry rather than an unfavourable one. Mori reports that the 29 per cent of those polled gave a favourable view of the chemical industry, eight points more than in 1992, while 28 per cent harboured an

unfavourable attitude, 2 per cent increase on the previous year.

In 1991, only 18 per cent viewed the British chemical industry favourably, while 27 per cent said they had an unfavourable impression. Although the industry might be pleased at the companies may be able (it was the first time since 1988 that favourable replies were in the majority) its standing is well below 1979 when approvals reached received almost 50 per cent.

European chemical industry spends more than £2bn, or 12 per cent of its total capital expenditure, on the environment. British companies spend 16 per cent. However, many UK executives wonder what else they must do to win public approval.

The leaders believe the answer lies in better communications, although, as the CIA advises its members, "good communications can never compensate for a poor environmental or health and safety performance."

Industry executives believe that the better ratings are due to the industry's candour. However, some companies believe the industry's story would be more credible if it could be verified by independent third parties.

But while the industry agrees on the need for Responsible Care, there are differences about eco-audits and verification.

Dow Europe's Fussler and Norsk Hydro's public affairs director Stein Iver Aarsæther support third party verification of the environmental reports but not at any cost. "It is important to have credibility and consider how best to achieve that cost effectively," says Aarsæther.

Fussler says: "Despite all the built-in controls, including supervision by the authorities, validation by a competent outside firm may provide an additional layer of confidence for the reader."

Louis Jourdan, senior director, technical affairs at Cefic, the European Chemical Industry Council, says that the European Commission is keen to go beyond the voluntary efforts of the industry.

"In the EU we will have third party verification either through voluntary acceptance of the Commission's eco-management and audit scheme or by certification of an environmental management system standard."

Cefic is trying to encourage all its members to establish systems that will allow them to join the EU's environmental management and auditing scheme (EMAS). Many companies appear more amenable to have certification of the methods they use to conduct their own environmental audits than to having third parties repeating the process through an audit. Says one industry executive: "Anyone who is responsible and providing the information would not knowingly provide data that are wrong."

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Japan earns high marks from OECD watchdog, says William Dawkins

Once bitten, twice shy

Japan's chemicals industry can take some - but not all - of the credit for the country's better than international average progress in curbing pollution.

A recent study of Japanese environmental performance by the Organisation for Economic Co-operation and Development praises the country for its "remarkable" achievement in reducing air pollution, from industrial plants, cars and power stations.

"These successes have proved that environmental policies and economic development can be mutually supportive," says the study, one of the first fruits of a 1991 OECD decision to run environmental checks on all its members. Far from being a major industrial competitiveness, rigorous curbs on air pollution have benefited car and pollution control equipment producers, says the report. Yet the study gives Japan below average marks for its performance on industrial waste, where the chemicals industry plays a larger part than most, and dependence on agricultural chemicals.

Over the past 20 years, Japan has shown the highest average growth of any member of the group of seven rich industrialised nations, even counting the blow to its economic record inflicted by the recent recession.

Yet it has also over this period more than halved sulphur dioxide emissions and nearly halved nitrogen oxide pollution. That is the best performance of any member of the OECD, says the study. Industrial processes account for between 40 per cent and half of air pollution in Japan.

The OECD attributes this impressive track record to Japan's tough regulations, such as those on car exhausts and factory chimneys, plus the high technological standards of

the water and air cleansing equipment industries. This is the reward for the 3.4 per cent of total capital formation that Japanese industry invests in pollution control, described by the OECD as among the highest in the industrialised world. "Private companies account for the lion's share of this spending. Within this, however, the chemicals industry spends far less than its foreign competitors. Japan's chemical companies invested four per cent of annual turnover on the

water and air cleansing equipment industries. This is the reward for the 3.4 per cent of total capital formation that Japanese industry invests in pollution control, described by the OECD as among the highest in the industrialised world.

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water and air cleansing equipment industries. This is the reward for the 3.4 per cent of total capital formation that Japanese industry invests in pollution control, described by the OECD as among the highest in the industrialised world.

the fate last November of the environmental protection bill, watered down in response to pressure from business lobbies, unwilling to take on extra costs at a time when the yen's strength is harming their competitiveness.

The bill contained a general commitment to a health environment. But the government quietly shelved two controversial provisions, contained in early drafts and supported by the environment agency, for a tax on carbon dioxide emis-

sions and obliging environmental reports on new industrial projects.

The ministries of international trade and industry, transport, and construction, along with other French and European chemicals companies, have made significant progress in reducing pollution and protecting the environment. "We have always been ahead of legislation," he says, citing the company's adoption of the responsible care programme, a charter for environmental protection in the industry which was first introduced in Canada. "No other industry has made the kind of progress that has been seen in chemicals."

He says that efforts in France to respond to the problems of environmental pollution from the chemicals industry have been assisted by an administrative system whereby regional government has the ability to fine and to subsidise polluting industries.

Rhône-Poulenc is itself spending a substantial amount on reducing pollution and increasing safety, despite the constraints of recession and the group's debt burden. Over the past two years, the company has committed FF3.8bn on environmental and safety projects, the lion's share in France and the US.

But how effective has this expenditure been? The publication last month of its annual environmental report shows a mixed result. "We are on target with respect to water pollution, for air emissions we are a little behind our target,

but we can make this up. It is solid waste that has proved the problem," says Mr Bruel.

Mr Bruel's conclusions are drawn from a detailed series of pollution and safety indices, audited by the accountants, Coopers & Lybrand, and in line with the format adopted by Cefic, the European chemicals industry federation.

At the end of last year, according to these statistics, the index of water pollution showed a 33 per cent decline from the base year of 1990. "This should enable the goal of a 50 per cent reduction by 1995 to be achieved," he says.

The air index improved last year year by 9.5 per cent, bringing the total reduction since 1990 to 23 per cent. "We are a little behind schedule, but I think we can maintain the target because we will make a big push over the next two years," says Mr Bruel.

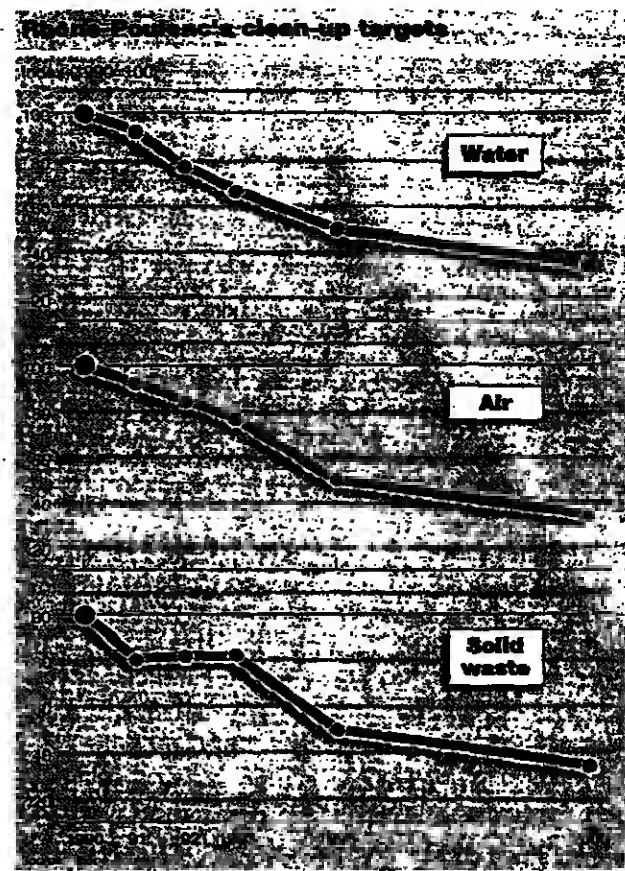
In the area of waste, however, hitting the target will be a harder proposition. In 1993, the index remained static, showing just an 18 per cent decline from 1990.

Part of the explanation, according to Mr Bruel, lies in a shift in emphasis, since 1990, towards increased prevention and safety, rather than remediation. "We have put more money into the prevention of accidents," he says. "Why? Because when you have an accident you have a pollution that is short in timescale but very significant in its immediate effects."

The stability of the waste index, however, also reflects the conflicts between some of the group's environmental objectives and the priorities attached to the various targets. "We attach the greatest importance to reducing emissions in water," says Mr Bruel. "But when you solve the problem with water, generally you

■ Case study: RHONE-POULENC OF FRANCE

Staying ahead of the law



generate some waste." The stubbornness of solid waste pollution was magnified by the system used by Rhône-Poulenc to calculate the various pollution indices. According to this system, the various pollutants are assigned a coefficient which is determined by their unavailability.

In air emissions, for example, nitrogen oxide is given a relatively high coefficient of 5. In water, salt has a coefficient of a mere 0.001. In 1993, the neutralisation of toxic waste at the company's Le Havre plant led to landfill storage of inert residues from calcium sulfate. Because this has a high coefficient of 10, the impact on the solid waste index was correspondingly increased.

Despite the hiccup in the solid waste department, however, Mr Bruel is confident that the objective of a 65 per cent improvement by 2000 is attainable. "The target of a 50 per cent reduction by 1995 will be delayed, but a research programme for clean technologies is underway to correct this trend," the company says.

Clean technologies for the group's final products are also of growing importance in the battle against pollution. According to Mr Bruel, the group is developing an expanding number of products which reduce harmful waste and emissions at every stage of their lifecycle. The Regent insecticide, for example, which has been launched by the company, degrades without creating toxins. The Nalio detergent, produced with sodium carbonate and sodium silicate, is completely soluble in water and requires no treatment.

Internal efforts are, however, not the only considerations. The wider economic situation also has a bearing on the levels of pollution produced by Rhône-Poulenc's plants. According to the company's environmental report for last year, the largest single factor behind the improvement in the water index resulted from reduced business activity. The next most important factor was technical progress, which accounted for 4.5 per cent of the improvement.

John Ridding



Mariam Tehrani, Manager of Environmental Affairs, Chemicals North America

I take it personally

"Environmental issues are often controversial. I try to take the politics out of it. I'm an engineer. The solutions I propose are based purely on facts. Technical and scientific facts. To me, governmental

agencies or action groups are not the enemy. They are our partners in managing the environment. We may not always agree, but we all have the same goal. They know I care about the environment.

professionally and personally. I'm not afraid to speak up. When I do, the company listens because good environmental policy is good business. And the best way to create the right chemistry."

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CREATING THE RIGHT CHEMISTRY

AKZO NOBEL

CHEMICALS AND THE ENVIRONMENT IV

Switzerland's Big Three sense growing sympathy from a public worried about the economy, reports Ian Rodger

Clean air is important, but so are jobs

Officially, this is Responsible Care year in Switzerland.

The chemical and pharmaceutical industry is making a special effort to inform the public about the strategies and programmes it has adopted to ensure that the impact of its operations on the environment is minimised.

But in reality, when the Swiss people think of their huge chemical and pharmaceutical companies these days, they have much more pressing concerns than environmental ones.

Mostly, they want to know how Ciba, Roche and Sandoz are coping with the pressures brought on by health care reform in many countries. And how many of the companies' operations are likely to be moved away from Switzerland to other countries in the near future? How many jobs are likely to be lost?

This represents a substantial change from the past few years when environmental concerns were foremost in people's minds, especially in Basle where all three companies are based.

Relations between the companies and the people were badly damaged after Sandoz suffered a major environmental accident in 1986.

The word Schweizerhalle still reverberates among chemical industry leaders and environmentalists everywhere. It is the name of a small town a few miles up the

Rhine from Basle where Sandoz, one of three giant chemical and pharmaceutical groups based in the city, has a large chemical warehouse.

In the early morning of November 1, 1986, a fire broke out in the warehouse, tripping sirens all over Basle and sending clouds of acid smoke over the city.

That was alarming enough for the residents, but it soon became apparent that an environmental disaster was occurring. As firemen pumped water on to the fire in the warehouse, it mixed with the chemicals.

Memory of the 1986 disaster at the Sandoz warehouse at Schweizerhalle near Basle still reverberates among chemical industry leaders and among environmentalists everywhere

Something like 30 tonnes of dangerous agricultural chemicals, including 200kg of mercury, washed into the Rhine.

A great deal of marine life, especially eels, was killed. Although no human life was lost, the fire could have led to widespread deaths through a release of phosgene.

Investigations did not reveal any negligence on the part of Sandoz. Rather, the conclusion was that holding tanks should be installed around chemical warehouses to contain toxic liquids created by fire-fighting.

No one had thought of the need for such

tanks before, but they have since become standard installations throughout the world.

Nevertheless, following the accident, relations between Basle residents and all three big companies deteriorated, and any projects they put forward for planning permission were subject to severe criticism and long delays.

The companies quickly realised they were in trouble and set about reassessing their public affairs policies and programmes. They have put ever increasing

efforts into educating the local public about their activities and listening to comments and suggestions from neighbours.

Initially nervous about publishing data about their operations, they now release a blizzard of information. Ciba is probably the most aggressive. Last September, it published a brochure entitled Risks of the Basle Works, in which it listed the volumes of various chemicals it produced and the many nasty raw materials it consumed.

The companies have become much quicker and more professional in responding to reports of accidents. For example,

last December several containers slipped off a freighter in the North Sea during a storm, taking with them thousands of packets of Ciba's Apron Plus DS pesticide events.

Ciba was immediately active in helping to recover the packets and warning Dutch and German authorities that some might wash up on their coasts. When a month later, some packets started appearing on the coast and the accident became public knowledge, Ciba was ready to reassure people that the chemical degraded quickly, so there was no danger to humans and very little impact on the environment.

Similarly, Roche moved quickly to refute fresh charges by a European parliamentarian that toxic residues from its accident in Seveso, Italy, in 1976 had been deposited in a dump in Germany. Last year, all three companies for the first time published separate corporate environmental reports, explaining their programmes and measuring their progress in considerable detail.

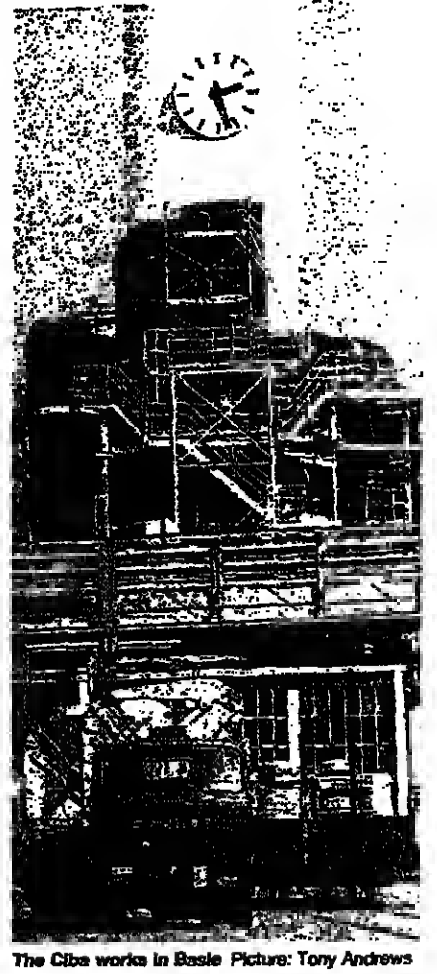
The companies have also joined various international programmes, such as the Business Charter for Sustainable Development launched by the International Chamber of Commerce and the World Industry Council for the Environment, established by the environmental summit at Rio de Janeiro, as well as the Responsible Care Programme.

In the context of the Responsible Care year in Switzerland, the big companies are helping smaller ones to set up environmental protection programmes and showing them how to carry out audits. Sandoz is also running a two day course for secondary school teachers on the Responsible Care concept.

These and other efforts, along with the passage of time, appear finally to have succeeded in healing the wounds of Schweizerhalle. This spring, for the first time since the accident, the chairmen of Ciba and Sandoz felt they could address shareholders at their annual general meetings without even mentioning environmental issues. "We face other issues now. Media inquiries on environmental issues are back to the level of the early 1980s," an official at one of the companies says.

That does not mean that the companies will give environmental issues less priority. Their spending for environmental protection continues to rise, and they are all working on new processes that eliminate potential environmental hazards at source.

Perhaps the final explosion of Schweizerhalle will come in the first half of next year when Ciba will open a SFV100m special waste burning facility in Basle. The project, initiated in the late 1980s, only got planning permission in 1991 from a then hostile community. Now it is hailed as a model of its kind.



The Ciba works in Basle. Picture: Tony Andrews

Cheshire's Fire and Emergency Service has to live with more risk than most others. The county has one of Britain's most intense concentrations of chemical and petrochemical industries in its area, in particular a necklace of large sites along the south bank of Manchester Ship Canal from Runcorn to Ellesmere Port.

There have been three big incidents in the last five years and several lesser ones. All have successfully tested the effectiveness of emergency plans and, in some cases, the courage of fire crews.

In 1989, a pipeline ruptured, spilling thick Venezuelan crude oil into the Mersey between Birkenhead and Shell's Stanlow refinery at Ellesmere Port.

The same year, a chlorine leak from ICI's plant at Runcorn caused an emergency as the gas formed a cloud. This year, a big fire at Associated Ocel - which makes additives for petrol - alarmed Ellesmere Port residents and prompted

calls for a public inquiry which are still being made.

Generally, no one faults the response of the emergency services to any incident. Modern communications have made for ever-faster response, while companies take a "better safe than sorry" approach towards raising an alarm.

Mr Dennis Davis, Cheshire's chief officer, says plans to anticipate and deal with emergencies are comprehensive, although not too detailed. "You can't predict everything that might happen," he says. "It is important to build in flexibility so you can alter your response to any situation you find, or which develops."

This means ensuring thorough knowledge of what is being done where, or stored in any factory, so firefighters will know what they might expect. Liaison with chemical plant management and staff is therefore on-going, with all companies taking their own responsibilities seriously.

Where a new climate is developing, however, is in

Ian Hamilton Fazey studies Cheshire fire brigade's emergency drill

High-risk neighbourhood

public relations. The chemical industry and the emergency services are finding new, more questioning, public attitudes emerging, with less trust, more suspicion and a greater demand for information.

Industry and emergency services say they not only welcome this, but they want to take a lead. This is partly defensive. Public consciousness has been raised by the increasing politicisation of environmental issues: people generally want to know more, while pressure groups and green activists are likely to control the agenda if unchallenged by those they criticise.

"It's a matter of trying to encourage people to be realistic," says Mr Edward Brady, head of public affairs for ICI's cluster of plant and offices at

Runcorn. "Perspective is important. Most incidents are brought under control quickly by a plant's own emergency staff. The problem comes when people start asking 'What if...?' and extrapolating towards the unrealistic."

Sensational media reporting encourages this - as does entirely reasonable reporting.

In the Ocel fire, for example, the blaze near one reaction vessel was brought under control after one hour and 40 minutes. The vessel was encased in a safety coating with a guaranteed two-hour fire resistance.

While chemical engineers saw this as evidence of the protective coating doing its job, media reporting understandably took a "20 minutes from disaster" line. The ques-

tion to Mr Davis was: "What if the two hours were up? Would you have withdrawn your men and left the tank to explode?"

In fact, two hours' fire resistance was the minimum rating for the coating's integrity. Not only could it reasonably have been expected to last longer, it did not even have to push the limit of the least it was supposed to do.

The mistake was to give the two-hour figure, says one PR professional unconnected with the incident. "It led to inevitable questions which then raised an unrealistic level of public alarm."

Mr Davis says the best approach is to ensure the widest local public knowledge of what is going on in any chemical plant - and what is

the best thing to do if anything goes wrong.

"The first policy is shelter, not evacuation," he says. "But many people assume there will be mass evacuations and want to know why we are not going ahead getting them out. The safest thing to do, however, is to stay indoors, shut the windows and doors, and listen to the local radio."

He points out that a policy of evacuation could make things worse, adding to congestion and requiring management time that could be more crucially deployed against the emergency. "We want people to be safe. Sheltering in their homes will usually be safer than leaving them. If a need develops to evacuate people, we will then get them out," Mr Davis says.

Under a code called CIMAR - the control of industrial major accidents and hazards - all owners of potentially dangerous plant are required to write every few years to all people living within 1,500 metres of a plant telling them what is stored at the plant and what they should do in an emergency - which is to shelter indoors in the way Mr Davis advises unless told to do otherwise.

Emergencies are signalled by siren. "If you can't hear the siren, you're almost certainly far enough away not to be in any danger," Mr Brady says. The question is if, and when, to sound the siren, especially at night, and especially since most potential problems are nipped in the bud.

No one wants to cry wolf. In one instance there was confusion when a small leak at ICI was quickly contained, but a warning to stay indoors had already been sent out for radio broadcast. Not all the radio stations broadcast the warning - but one that did broadcast it

failed to send the all clear.

Cheshire's chemicals companies are talking about working together better, jointly publishing information and making more concerted attempts to better inform the public at large. Mr Davis also wants a more informed media corps.

Knowledge and understanding are seen as the principal tools for achieving this. This also includes understanding that the right thing to do in some emergencies is nothing - as with spill oil that can often be left to break down naturally. Mr Davis says uninformed exhortations to "do something" can add to the problem.

Both he and Mr Brady also think that calls for relocation of plant or rehoming of people near them have to be debated on reasonable assumptions of risk.

Fair debate, however, depends on disseminating enough information to promote wider knowledge and understanding. Responsibility for this lies with the industry.



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Germany, with the world's toughest controls, may be having second thoughts, writes Christopher Parkes

Green tide reaches high water mark



Environment minister Töpel setting an international example

Last December, when the German chemicals industry was still wallowing close to the bottom of the worst profits trough since the war, and still winning from a media onslaught which followed a rapid-fire series of accidents at Hoechst, it was offered a few crumbs of comfort from an unlikely source.

The opposition Social Democrat Party (SPD), in concert with the IG Chemie union, published a position paper on the industry's future. The main recommendations seemed unremarkable: the simplification of environmental legislation and acceleration of planning procedures to facilitate the introduction of "environmentally acceptable products".

But the paper, personally endorsed by Mr Rudolf Scharping, SPD leader, marked an important development. The senior opposition party, whose attitude towards the chemicals industry had long been judged by a lingering attachment to the more rigorous environmental policies of the Greens, had shown that it had heard and deemed justified the industry's most serious complaints about the direction of German environmental policy.

The costs of environmental protection are a sore point among chemicals producers in most industrialised countries. But it is the range and complexity of legislation which give the greatest cause for grief within the German industry. Federal laws, arguably the strictest in the world, are overlaid by separate legislation enacted in each of the country's 16 Länder.

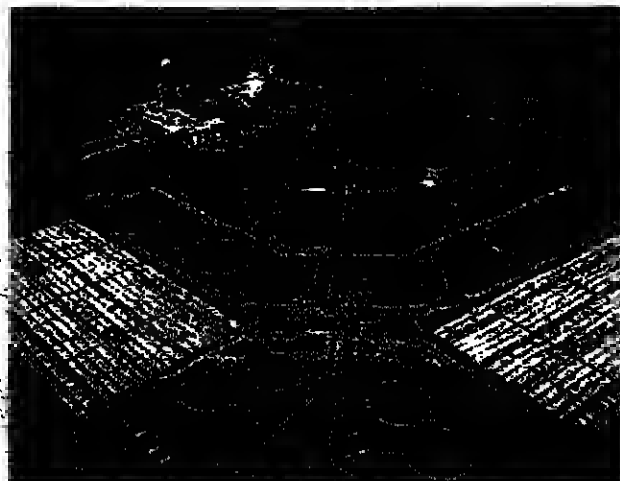
The result is a scarcely-penetrable entanglement which generates work for enthusiastic and meticulous bureaucrats and frustration for companies which see their attempts to innovate and regain competitiveness repeatedly bogged down.

A company seeking to build a new chemicals production plant in the federal republic must observe more than 2,000 laws and regulations. According to industry calculations, the average time taken in Germany to win official approval - be it for planning permission, a new product, change-of-use in an existing plant - is 13 months compared with six months elsewhere in Europe.

Mr Horst König, head of research planning at BASF, says the time and costs involved are becoming increasingly critical as competitors

consciousness is especially keen. The dye was especially promising because it was almost entirely absorbed by cotton fibres and left barely any traces in the waste water. However, the manufacturing process generated three by-products. Even though they were used in other processes and never left the plant in their original form, each had to be checked and approved at a total cost of DM200,000, Dr König wrote.

Meanwhile, the net of environmental legislation continues to expand and tighten on Germany's fourth-largest exporting sector. The planned Kreislaufwirtschaftsgesetz - a catchall law designed to complete the circle of development, production, use and re-use or recycling for new products - allows for no exceptions. The aim of the legislation is to oblige industry to develop new products and the techniques for recycling them in parallel. According to Mr König, this will apply even to one-off, low-volume manufacture of experimental materials or products even before a market has been



BASF's Ludwigshafen sewage works also serves local domestic needs

found for them.

If research and development in Germany continued to be obstructed by indiscriminate restrictions, valuable jobs in research and application technology would be lost, he wrote. Production would inevitably follow and, in the end, so would scientific knowledge. "The widespread exodus of

the ground for change. The SPD's position paper - part response to the now-fading cynical crisis in the chemicals industry, and part campaign document - showed a similar intent. Whoever wins the forthcoming federal election, there are promising signs of a consensus that more flexibility and less red tape are in order.

On the other hand, there are no indications from any side that German environmental legislation will be made less rigorous. The aim is more to reconcile the demands of the law with the desire to preserve jobs and encourage the evolution of a more specialised chemicals sector as the old, low added-value production drifts increasingly and inevitably abroad.

Mr Klaus Töpel, the Bonn environment minister, recently proclaimed that one of his aims during Germany's impending European Union presidency was to establish the EU's "continuously developing" environmental policy as an example to the rest of the world. In consort with his French counterpart, Mr Michel

Barrier, he said he would press for higher security and protection standards all round, and more stringent application of existing regulations.

In the future, he said, he expected the four EU membership candidates, Sweden, Norway, Finland and Austria, to strengthen the ranks of the advocates of environmental protection. Europe must come to appreciate that a vigorous environmental policy offered economic opportunities.

It was doubly coincidental, but on the same day Mr Heinrich von Larnier, president of the federal environmental agency, chose to highlight some of the economic advantages. He argued strongly against the advocates of a "pause" in environmental legislation. His 20 years' experience had taught him that neglect of the environment damaged the economy while investment in its protection almost always paid dividends.

The world market for protection technology was now worth \$225m a year. The US had 16 per cent, Japan 18 per cent, but Germany was still market leader with a 21 per cent share. There was a danger, Mr Larnier noted, that Germany would lose its lead if potential purchasers were put off by warnings that environmental protection was bad for an economy's health.

Communism has left a costly legacy, writes Anthony Robinson

Outdated and inefficient

It's an ill wind which blows nobody any good, and nowhere is the old trum more apparent than in the former communist states of eastern Europe and beyond.

In the four years since the collapse of communism, precipitous declines in output from the old state-controlled heavy industrial and chemical plants have been accompanied by a substantial decline in the level of both air and water pollution. Unfortunately, however, the volume of accumulated chemical, nuclear, metallic and other wastes in the ground, in often poorly constructed and maintained dumps and storage dams and in the seas fed by polluted rivers, remains horrific and lethal, particularly in the former Soviet Union.

In volume terms by far the biggest sources of pollution remain the region's coal-fired power stations, steel mills and refineries of all types.

Over a third of Europe's entire emissions of sulphur

dioxide are pour out of a complex of lignite or poor quality coal-burning power stations and chemical plants in the so-called "black triangle" where Poland, the Czech republic and former east Germany meet.

Poland alone expects to spend \$1bn reducing emissions at one of the biggest polluters.

Many eastern plants were built by the west, but are now very outdated.

point source of water pollution, especially in Poland where saline water pumped out of the deep mines of Silesia flows down the Vistula and into the Baltic, one of the most polluted seas in the world. The Baltic is closely followed by the Black Sea which is also virtually landlocked and receives the effluent from the Danube and the big rivers flowing through southern Russia and Ukraine.

The chemical industry by comparison is a limited polluter, but this mainly reflects the low level of its development in the former communist bloc and the fact that many chemical, synthetic fertiliser, petrochemical and related plants were put there on a turnkey basis by western contractors.

Even so many were built before the awakening of environmental consciousness in the West, and even plants built in the 1970s frequently deliberately skimped on smoke

abatement, water filtration and other environmental protection equipment. Even when environmental protection equipment was installed, it was rarely switched on or it became inoperative because of breakdowns and shortages of spare parts.

But environmental protection became a powerful stick with which to beat communist governments in the 1980s and many of the most polluting plants were closed in the first flush of enthusiasm after the collapse of the Berlin Wall and installation of the first post-communist regimes. Given the monopoly nature of the communist production system, however, several of these plants had to be re-opened to ensure minimal supplies of drugs and essential chemicals for other industries.

Lack of investment and poor maintenance left the former East German chemical industry, much of it coal-based, especially vulnerable once German reunification revealed the combination of



Trying to catch up: materials research at a Minak electronics plant

low productivity and environmental nastiness. The introduction of D-Mark pricing was the last straw and whole swathes of the industry have simply been wiped out leaving a huge bill for rehabilitating the polluted land on and around the sprawling acres where the plants once stood.

Poland and the Czech Republic also have substantial chemical industries facing similar problems but are spared the additional burden of overvalued currencies. In Romania,

where the worst polluters (such as the unspeakable carbon black plant at Copca Mica in Transylvania) have been simply closed down, the overblown petrochemical and refining industry is working at a fraction of its capacity. Throughout the region, fertiliser plants, refineries, petrochemical complexes and pharmaceutical plants have either been closed or are working far below capacity. With overcapacity in the west, little money is going into modernisation or on new greenfield sites, although the latter are generally regarded as a much better investment.

The decline in Russian oil production and, above all, the end of the era of cheap Soviet energy and input-prices is the main factor which has exposed the uncompetitive nature of most chemical production in the region and led to the lower output and the consequent fall in pollution. Russian statistics show an average 20 per cent decline across a broad swathe of chemical output in 1993 with no sign of recovery to date.

Reliable figures are hard to come by in this area but official Polish statistics show the output of the Polish chemical industry fell 25 per cent in 1990 and a further 13 per cent in 1991 before rising by 7 and 8 per cent in the following two years. But the emission of gases, which fell from 5.1m tonnes in 1989 to 4.1m in 1990 continued to fall even when production started to rise. The statistics show a similar trend

in the emission of poisonous dust emissions.

This is only partly due to investment in anti-pollution devices which has remained minimal given the poor economic state of most chemical enterprises. The fall in emissions mainly reflects greater awareness of ecological issues and greater efficiency in the use of fuel and inputs prompted by more rational pricing. Gone are the days of big investment in huge, inefficient and polluting plants to produce basic chemicals from cheap Soviet oil. In future, the emphasis will be on much smaller plants, many of them foreign-owned or using the latest western technology to produce world-quality drugs, detergents, paints and downstream consumer products at greenfield sites governed by EU pollution standards. The forerunners of this new phase are the detergent plants set up in Poland, Hungary, the Czech Republic and elsewhere by Henkel, Unilever, Benckiser and Procter and Gamble.

The risk of court action is increasing, writes Ian Hamilton Fazey

When directors are liable

Alan Bottomley says most directors and senior managers of UK companies are just not frightened enough.

The legal aspects of caring for the environment need to be taken much more seriously, he warns. "The personal responsibility of directors is going to become an increasingly important area and people running companies need to become much more aware of what they may be up against."

Mr Bottomley is senior partner of Hammond Suddards, one of the "big five" firms of corporate lawyers in Leeds. Many large law firms have set up units of specialists in environmental law during the last few years but what makes Hammond Suddards especially qualified to comment is that ICI outsourced its environmental litigation work to the firm in 1992.

Lawyers hoping for more clients are no different from any other salespeople, so their claims should always be treated with caution, if not scepticism, but there appears to be evidence to support Mr Bottomley's case.

The case is this: fines on companies for pollution offences are having a slow impact, but directors and senior managers carry personal legal responsibility for the actions of a company, its employees and its agents.

Therefore, enforcement bodies are increasingly likely to "go for individuals and try to obtain large fines against them - or even prison sentences. Mr Michael Shepherd, one of Hammond Suddards' litigation team and a specialist on legal and court procedure, says that in some fields such as waste disposal, civil sentences have already been handed down.

Many companies have written environmental policies which are meant to show that directors and senior managers take their responsibilities seriously and expect the company's employees and agents to do the same.

Based on precedent in other fields of law, many believe this will protect directors and senior managers if something goes wrong and a pollution offence is committed "down

the line" without their knowledge.

Whether a criminal act by an employee or agent is the action of a company depends on his or her state of mind, intention, knowledge or belief, as well as the facts and circumstances.

If the law requires a guilty mind as a condition of an offence, the company will be guilty if the directors and senior managers intended to commit the offence, but not if they had no such intent and the offence was committed by a junior employee who is not an officer of the company.

Tesco v. Nattras in 1972 is the latest precedent of three relied upon in support of this. Here, a supermarket ran out of cut-price chickens being advertised nationally on special offer.

The supermarket manager substituted chickens from stock labelled at a higher price and Tesco was prosecuted by a local trading standards officer.

The case went through the appeal system, where the final decision was that Tesco was not guilty because the senior manager had no intent to commit an offence and the local supermarket manager was too lowly in the organisation to make the company liable.

Mr Stuart Bell, a Hammond Suddards lawyer specialising in environmental policy, says this gives many directors and senior managers a false sense of security for two reasons.

The first is that many pollution offences are absolute, and therefore do not require a guilty mind for companies and individuals to be charged.

Mr Bell says most environmental law specialists believe the trend will be for increasingly more pollution offences to become absolute ones. There will be no defence against them, only a plea of mitigation. The company without a well-defined environmental policy will be in trouble.

The second reason he gives is of a discernible trend by legislators - in effect, the government - to make per-

sonal responsibility much more important in corporate governance. The Food Safety Act of 1990 gives a clue as to developments.

It says if an offence is proved to have been committed with the consent, connivance or through neglect by a director, manager, secretary, or any other similar officer of a corporate body - or anyone purporting to act in such capacity - the person is guilty and liable to punishment.

Similarly worded sections are now included in the Acts of Parliament covering health and safety at work, consumer credit, company law, financial services, trade descriptions, water resources, planning, fire precautions, crowd safety, insolvency and environmental protection.

This means having a written environmental policy may not be enough. It has to be applied and supervised right up to boardroom level. Procedures also have to work at all times. For example, having an environmental officer acting as internal policeman may not be enough if there is no procedure to cover for his or her holidays.

It means a site foreman cannot turn a blind eye to where an outside contractor dumps a load of waste - nor the directors of the company involved claim that it was nothing to do with them because they did not know. All parties must have taken reasonable precautions to ensure safe disposal eventually took place.

Concerted attempts to stop illegal waste disposal - particularly dumping of toxic waste - are already under way.

"Cowboy" operators who have charged for long haulage to legal dumps, or for digging holes to bury waste, but have then dumped illegally and locally, or at surface level, have been successfully prosecuted recently and jailed.

Some environmental lawyers believe the directors of companies that hire such operators may be next, "to encourage the others".

An attempt is also being

made by the authorities to establish a precedent that will supersede Tesco v. Nattras as far as environmental law is concerned. The case involves pollution of a waterway via an underground culvert on a new housing estate, and whether the directors and senior managers of the company involved can be held responsible for it.

National Rivers Authority v. Alfred McAlpine Homes (Southern) is now in the appeal system. If the NRA wins, environmental law at least will greatly increase the onus on corporate officers for what happens "down the line" - however remote from head office.

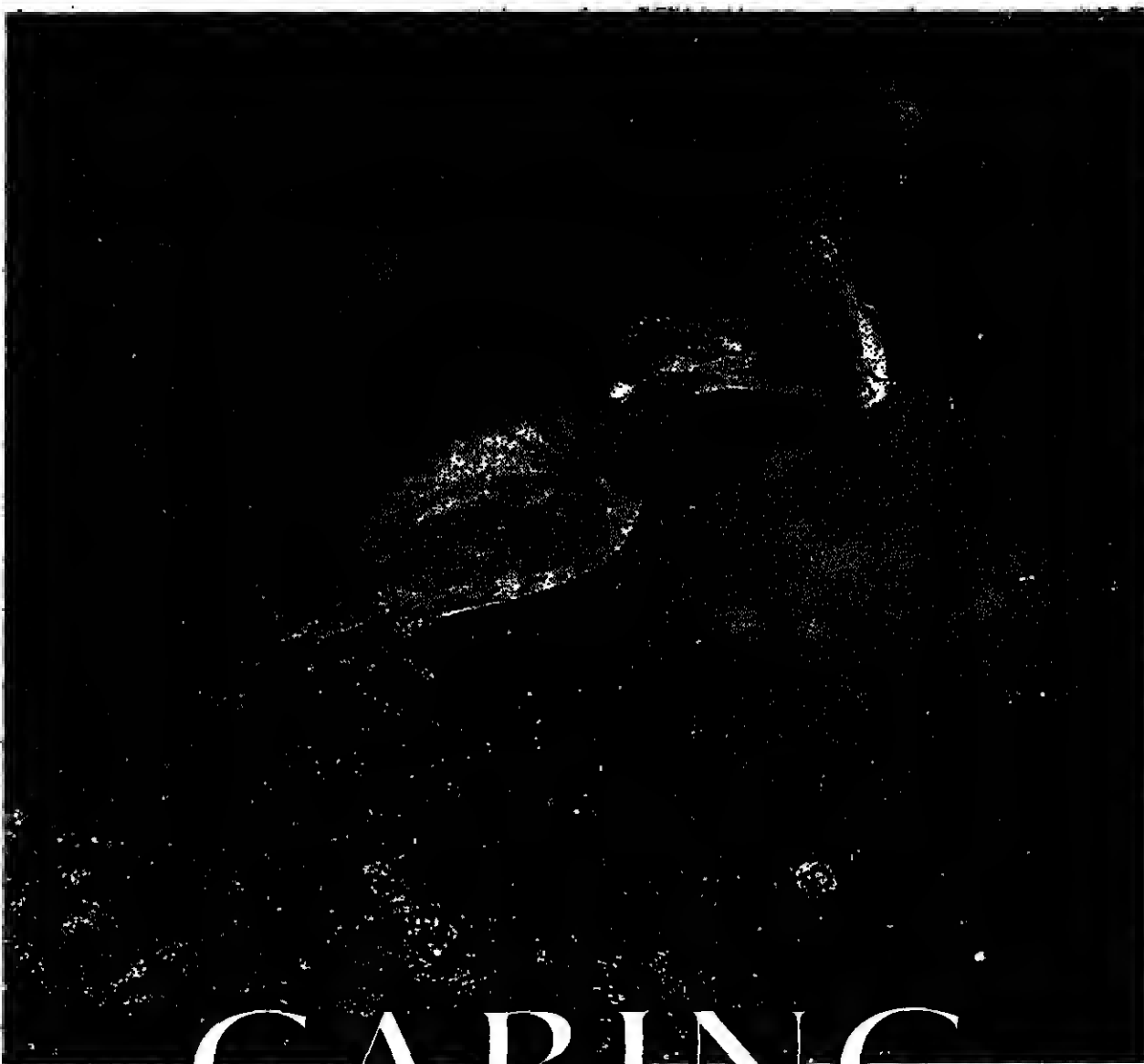
Is all this the scare tactics of lawyers trying to drum up more business? Mr Bell warns: "Large numbers of companies have no policy on waste minimisation, waste reduction and waste disposal. Big companies are OK but many medium-sized and smaller ones have no idea at all."

"When you look at the figures, the number of prosecutions is very small compared with the number of breaches. But the number of prosecutions has doubled year on year since the National Rivers Authority came into being in 1989."

Penalties are also likely to be stiffer. Although they are limited to 250,000 and six-month sentences in magistrates' courts, fines are unlimited in the crown court, where gaol terms of up to two years can be imposed. In addition, companies can be made to pay for putting the pollution right and this may cost much more than any fine. Incidentally, fines and remediation costs are not chargeable against revenue for tax purposes - they come straight out of profits.

Mr Shepherd also says environmental pressure groups are likely to bring their own prosecutions, as Greenpeace inflicted on ICI last year. Greenpeace did not win, but it demonstrated a new avenue for making companies more environmentally responsible.

The question for directors and senior managers is whether they can afford not to take the lawyers' warnings seriously.



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CHEMICALS AND THE ENVIRONMENT VI

Doomsday scenario watching has become a US preoccupation, writes Richard Waters

Ammunition for scaremongers

Inhabitants of the Kanawha valley in West Virginia were treated to a doomsday scenario this month.

This valley, running east from Charleston into the foothills of the Appalachians, houses chemicals plants run by no fewer than 12 different companies. In an exercise that will eventually be repeated throughout the US, the managers of those plants talked publicly about what could happen if their safety procedures went badly wrong.

Until now, chemical companies have been understandably reluctant to discuss potential disasters with their local communities. "It is the moral equivalent of Bhopal: they know what could happen, and they're not telling us," says Fred Miller, a long-time activist and former director of the Friends of the Earth toxics project.

But the publication of "worst-case scenarios" - projections of the damage that would be caused by the worst possible accidents at chemical plants - will be forced in the coming years. The US Environmental Protection Agency, under the provisions of the Clean Air Act of 1990, is currently drafting rules on what should be disclosed, and how. The Kanawha exercise marked an early experiment by the chemicals industry: the companies involved wanted to act first, using their own definitions of what amounts to a "worst-case scenario".

When widely published around the country, the information will provide plenty of ammunition for scaremongers - including those legislators in Washington DC who want tougher environmental controls on the chemicals industry. For instance, chlorine used for water treatment in the nation's capital could, based on a worst-case assessment, create a poisonous cloud enveloping a large part of

the city, including the President's home. "Even the White House is not immune. The data is going to scare a lot of people," says Mr Joe Mayhew, vice president for the environment and policy analysis at the Chemical Manufacturers' Association.

The attention likely to be given to this information, when published, indicates how much further the chemicals industry still has to go to win over public confidence in the US. A survey conducted for the CMA two years ago revealed how low the public's esteem for the industry was, and - despite an extensive public relations effort - things have barely changed.

The industry's approval rating "probably hasn't improved a lot," says Darwin Wike, head of corporate environmental stewardship at Du Pont. Mr Mayhew at the CMA agrees, though he puts it less pessimistically: "It's not getting any worse."

The Clean Air Act's requirement for companies to reveal the potential damage their chemicals could cause signals the direction in which regulation of the industry is moving. Until now, it has focused on emissions of waste by chemicals companies, with the EPA producing lists of pollutants and their discharges. In future, attention is likely to be directed more towards the actual (and potential) harm to public health and the environment, and towards the use (rather than just the disposal) of chemicals.

The industry plans to stress the low probability of major accidents occurring.



It's the real thing: spectators at a 1992 refinery fire in Los Angeles. Picture: AP

However, the pressure of public opinion will almost certainly have an effect, for instance by encouraging companies to review their arrangements for storing their most hazardous materials.

Campaigners want companies to go further. They should, says Miller, publish the results of safety audits and details of how much insurance they have (if companies

carry insurance to cover most of the costs of a disaster, he argues, they have less incentive to prevent it happening).

There is also growing pressure for more information about how chemicals are being used. At present, the state of New Jersey is alone in collecting detailed information in this area. Federal regulation is skimpy: under the Toxicity Control Act,

big users of chemicals are subject to a report once every two years on the volumes of chemicals they use. In future, that could be extended, forcing more frequent reporting and more detailed information - including, for instance, the extent to which the chemicals are recycled.

This data, ironically, could end up being of use mainly to chemical companies. They are already the biggest users of the EPA's data on toxic releases, says Mr Mayhew - such information provides important clues about what competitors are doing. Detailed information about what materials the chemicals companies are using would go further still.

While regulation looks set increasingly to add to the costs and reduce the flexibility of the chemicals industry, it has at least one thing to cheer about on the environmental front.

The proposed reform of the Superfund legislation, governing the clean-up of hazardous waste, would reduce the legal wrangling over who should shoulder the costs on particular sites. The result would be lower legal bills - one of the biggest costs in the clean-up process.

Chemicals companies, meanwhile, are also finding more efficient ways to spend the money they set aside for environmental purposes. The danger, says Mr Wike at Du Pont, is that the easiest and most effective programmes are the first to be adopted, and that smaller and smaller gains are made with each additional step.

"You get 80 per cent of the reduction with the first 20 per cent of spending."

One way of improving the impact of environmental spending has been to shift attention from the treatment of waste, for instance with incinerators or water treatment plants, to a search for ways to reduce waste in the first place.

Companies have also become more efficient at setting targets for their emissions. Du Pont, for instance, used to impose waste reduction targets on its operating units: now, it is switching more of the initiative to plant managers, asking them to come up with their own proposals first. Managers closer to the operations should be better positioned to propose the environmental programmes which have the biggest impact for the least cost at their plants.

The industry is also hoping that the EPA will countenance more voluntary waste reduction programmes, rather than enforced ones. Its so-called "33/50" programme, which set stepped targets for reduction of certain emissions by first a third and then a half, is a model which many in the industry would like to see repeated.

Despite these initiatives, the rulebooks keep getting thicker. The EPA is about to add more than 300 additional chemicals to the list of those whose output has to be measured. Under the Clean Air Act, tighter permit regulations will shortly make it difficult for virtually any changes to be made to a chemicals plant without going through the entire approval process again, the industry complains.

"We're slowly falling behind the rest of the world in terms of developing new processes," says Mr Wike.

Case study: the cleansing of Teesside

Salmon, not sewage

Not so many years ago, talk of the lower reaches of the River Tees welcoming migratory salmon would have seemed laughable.

Teesside's rapid industrial and urban expansion throughout the 19th century and much of the 20th had fouled the river as it neared the North Sea.

Industrial and sewage discharges combined to create a quality of water which bred little except protest demonstrations by environmental activists.

Some of the environmental campaigners' wrath was directed at the National Rivers Authority, the UK's river watchdog, for not imposing immediate draconian cuts in ICI's effluent discharges from its Teesside plants, the group's largest concentration of manufacturing assets in the world.

The NRA countered by arguing that it must give industry achievable targets, imposing phased reductions on the levels

of permitted discharges in order to work progressively towards its goal of the passage of migratory fish along the Tees.

In line with this philosophy, the Tees has been the focus of one of the UK's biggest estuary clean-ups. ICI alone has spent £100m since 1990 on environmental improvements on Teesside, mostly river related.

While its corporate aim, announced in 1990, for its sites worldwide is to cut waste by 50 per cent by 1995, its Teesside operations are working to a higher target of 68 per cent. Total waste produced from its manufacturing activities on Teesside has fallen so far by 57 per cent, from 521,000 tonnes in 1991 to 226,000 tonnes in 1993. The major contributor to this

reduction has been the end of the disposal of acidic ammonium sulphate at sea by ICI's Acrylics business, following the opening of the £86m sulphuric acid recovery plant at Billingham, part of the £110m Monomer 8 complex.

Now, ICI and Northumbrian Water are working together on a £100m effluent treatment works project which should further the NRA's aim of restoring a thriving salmon fishery to the Tees.

Last month, Northumbrian Water submitted to Cleveland County Council a planning application for the proposed treatment works, to be sited on a disused ICI waste disposal site on the south bank of the Tees. The purpose of the plant is to deal with sewage from

400,000 Teesside residents and discharges from ICI's Wilton petrochemicals complex.

The eventual £100m cost of the two-phase project will be borne by Northumbrian Water, with ICI paying fees for each tonne of waste treated.

Northumbrian Water has also held discussions with seven chemical companies at Seal Sands, on the north bank of the river, about the possibility of their using the plant too.

The £50m first stage of the project includes construction of a £35m underground transfer sewer along the Tees' south bank, so sewage is taken from existing treatment plants for discharge downstream nearer the river mouth. In its first phase, the



ICI's Wilton works: focus of a £100m effluent treatment programme

treatment works will deal with ICI's pure terephthalic acid (pta) discharges from Wilton.

The second phase will involve treatment of more ICI effluents, and also a higher standard of treatment of the sewage before discharge to the river, to meet the European Urban Waste Water Directive, at present due to come into effect in 2001.

Currently ICI's Wilton site has a biochemical oxygen

demand - a measure of river oxygen depletion due to pollution - of 80 tonnes a day, but the NRA has said this must be reduced to 50 tonnes by 1996. ICI expects the treatment of pta discharge at the new plant to bring a net reduction of 19 tonnes. Treatment of more discharges by the plant's second phase should help ICI meet its own target of a Wilton BOD of 25 tonnes a day by the year 2000.

In the early 1970s, Wilton's BOD was 400 tonnes. "We've got it down to a fifth of what it was 20 years ago," says ICI. "Dealing with the remaining fifth is more difficult and more expensive."

ICI and Northumbrian Water, both involved in improvement work on the Tees since the 1970s, believe it makes sense to pool their expertise and resources in this way, in anticipation of future

tighter standards.

They hope the effluent treatment works, which requires consent from the boards of Northumbrian Water and ICI Chemicals and Polymers, will be approved by Cleveland county council before the end of 1994, so its first phase can be commissioned in mid-1995.

Northumbrian Water's general manager of projects Mr Doug Shearer says the plant does not involve incineration or the import of waste, both of which are highly contentious issues on Teesside.

The council, mindful of the delicacy of environmental issues in its heavily industrialised area, has pledged full consultation. "Obviously we haven't been happy about discharges into the river and sea," says Mr David Walsh, chairman of the council's environment, development and transportation committee. "We want to study the implications of this approach."

Chris Tighe

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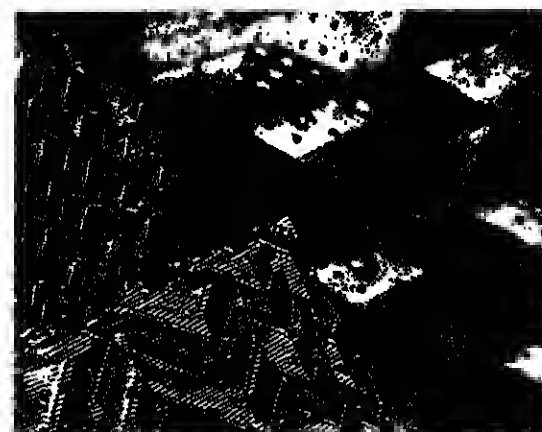
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CHEMICALS AND THE ENVIRONMENT

Thursday June 30 1994

After decades of assaults by lobbyists, chemical companies' biggest headache is now the mass of laws curbing their operations, says Daniel Green

The day of the lawyers has arrived

Fear is an important factor in the chemicals industry's management of environmental matters. Industry leaders and their companies can face vast liability suits if there is an accident. Even everyday operations can become bad publicity.

Some of these fears have begun to fade in the mid-1980s. In their place is the spectre of being overwhelmed by national and international legislation.

Chemicals companies already employ thousands of people in the environmental monitoring and control of plant and processes. Yet the pace of introduction of new laws is undiminished. Executives are caught between the need to demonstrate that they are cleaning up their businesses and the desire to limit the administrative burden that this requires.

A decade ago, the agenda was set by the lobby and pressure groups such as Friends of the Earth and Greenpeace. They dogged chemicals manufacturers, pointing an accusing finger at smokestacks, dumped by-products and river discharges.

Although the industry was joined, its solution was in the end, simple: create a department whose job it was to fight back in the propaganda war.

The result was a whole series of initiatives ranging from case studies of substances once dumped but now used productively, to the creation of the "Responsible Care" movement - a voluntary programme covering health, safety and the environment - now embraced by virtually the entire European chemicals

industry. "We initially resented the obligation for publicity," says Mr Michael McGraw, general manager for health, safety and environment at BP Chemicals. "But now we can demonstrate our progress."

The old publicity machine still requires oiling. But individual feel-good stories have become the environmental equivalent of public relations and public relations has become an everyday part of general management.

Most large companies can point to impressive track records in cutting emissions and recycling waste, and they publicise them in glossy produced reports.

But today the departments devoted to "generating" a response to pressure groups have largely gone. The teams of specialists have been dispersed. Managing emissions has become an everyday part of general management.

The pressure groups' legacy is the determination of politicians to legislate and regulate the industry. That means that chemicals companies are increasingly turning for help to lawyers and government affairs experts rather than public relations executives.

At the top of the European list of priorities is a proposed directive from the European Commission largely based on the UK's 1990 Environment Protection Act (EPA).

The UK is the model because the EPA introduced the concept of integrated pollution control, the notion that it is not enough to legislate for the reduction of emissions of one

kind or another. If airborne emissions are cut but at the same time water discharges increase, the objective of pollution control legislation is not achieved. The solution is to integrate the monitoring control of chemicals plants, rather than to look at each substance produced individually.

Under UK law, "you have to formalise your systems with regard to the environment," says Mr Neil Budworth, safety officer at the UK operations of German chemicals company Bayer. "You have to take into account all emissions, where they go, how they are controlled, what the management systems are and what the history of complaints is."

The company compiles a report that includes not only these details but carefully thought out proposals for controlling the emissions. The report is submitted to the UK government for the proposals to be approved, or otherwise. Once authorisation is secured, it must be followed by quarterly monitoring of the plant and the deposition of information for public inspection.

The task is enormously complex, says Mr Lindsay Fortune, head of health, safety and the environment at chemicals company Courtaulds. "You are right at the fringes of science. Sometimes the legislation requires you to do work that there is no science for."

He gives several examples of questions whose answers have yet to be clarified fully. How should emission limits relate to the quality of the environment? How should trigger points change with local popu-



lation density? If discharges are to be made into rivers, how should limits vary according to the capacity of the river to carry the effluent away? In air emissions, how should limits vary according to the way hills and mountain ranges and climate conspire to concentrate or disperse materials?

The industry's concerns about how such legislation works are not limited to the scientific. The costs involved are of increasing concern. Chemicals companies already spend up to seven per cent of

sales on health, safety and environmental matters.

"There are more than 300 environmental directives or laws already at the EU level alone. Between one and two per cent of the workforce in chemicals companies is concerned with the regulations now," says Mr Louis Jourdan, director of technical affairs at the Brussels-based European industry organisation, Cefic.

Rising costs are more than a matter of the quantity of laws enacted. In the UK, companies should control emissions using

government "takes of the order of six man-months to prepare. Each site typically needs 10," he says.

Yet this concern over costs sits awkwardly with the chemicals industry's acknowledgment that laws are needed.

"These laws are not in principle a bad idea," says the Chemical Industries Association's Ms Posner. "But what's happening is too much. The laws are not wrong, undesirable or unnecessary. But they are coming at such a pace that it makes it difficult to regulate and implement them. In 1993 alone there were about 40 EU instruments being adopted or going through development."

This view is underlined at the European level. Mr Jourdan of Cefic says "We like the [proposed] directive. There is nothing fundamentally wrong with it. But it is too detailed. There are provisions for the classification of substances produced in very small amounts for research and development - they are not going to be spread over fields and rivers."

The alternative, according to Cefic, is a voluntary scheme along the lines of the Responsible Care programme. "Ninety per cent of actions in a chemical plant will remain unregulated anyway," says Mr Jourdan. "We want to replace, pilot or complement regulations with a voluntary agreement."

Nevertheless, the industry and its representative bodies know that they will probably not get their way. The laws are more likely to get tougher and more complicated than simpler. One of their greatest fears is that the European Commission will look favourably on the US systems of a Toxic Release Inventory (TRI), in which every company provides exhaustive details of substances released.

Whatever ends up in the directive, the industry sees it as the start of yet more work. "The next stage will be implementing the whole thing," says Mr Fortune.

The industry is determined to lobby Brussels in its attempt to limit or at least delay the impact of the next wave of regulation, but it is preparing for

IN THIS SURVEY

RESPONSIBLE CARE: a code of practice devised in Canada is being adopted around the world

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JAPAN'S HIGH MARKS: OECD praises Japan's "remarkable" improvement in air quality

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GERMANY: the world's most regulated industry believes the tide may be turning

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Illustration: Robin MacFarlan

a sharp increase in its workload anyway.

The lobbying will continue because companies face the need to allocate responsibilities, define practices, identify procedures and find the resources for implementing and maintaining environmental management, says Mr Jourdan. "All of this needs a structure. We are asking for a pause in the production of legislation. Our job used to be easy, it was about emission limits. Now it is about standards and principles."



We've been careful with additives for 60 years...

Japan earns high marks from OECD watchdog, says William Dawkins

Once bitten, twice shy

Japan's chemicals industry can take some - but not all - of the credit for the country's better than international average progress in curbing pollution.

A recent study of Japanese environmental performance by the Organisation for Economic Co-operation and Development praises the country for its "remarkable" achievement in reducing air pollution, from industrial plants, cars and power stations.

"These successes have proved that environmental policies and economic development can be mutually supportive," says the study, one of the first fruits of a 1991 OECD decision to run environmental checks on all its members. Far from being a major industrial competitiveness, rigorous curbs on air pollution have benefited car and pollution control equipment producers, says the report. Yet the study gives Japan below average marks for its performance on industrial waste, where the chemicals industry plays a larger part than most, and dependence on agricultural chemicals.

Over the past 20 years, Japan has shown the highest average growth of any member of the group of seven rich industrialised nations, even counting the blow to its economic record inflicted by the recent recession.

Yet it has also over this period more than halved sulphur dioxide emissions and nearly halved nitrogen oxide pollution. That is the best performance of any member of the OECD, says the study. Industrial processes account for between 40 per cent and half of air pollution in Japan.

The OECD attributes this impressive track record to Japan's tough regulations, such as those on car exhausts and factory chimneys, plus the high technological standards of

the water and air cleansing equipment industries. This is the reward for the 3.4 per cent of total capital formation that Japanese industry invests in pollution control, described by the OECD as among the highest in the industrialised world.

"Private companies account for the lion's share of this spending. Within this, however, the chemicals industry spends far less than its foreign competitors. Japan's chemical companies invested four per cent of annual turnover on the

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the fate last November of the environmental protection bill, watered down in response to pressure from business lobbies, unwilling to take on extra costs at a time when the yen's strength is harming their competitiveness.

The bill contained a general commitment to a health environment. But the government quietly shelved two controversial provisions, contained in early drafts and supported by the environment agency, for a tax on carbon dioxide emis-

sions and obliging environmental reports on new industrial projects.

The ministries of international trade and industry, transport, and construction, along with other French and European chemicals companies, have successfully lobbied for the removal of those clauses on the grounds that they would hamper investment in new plant and further stimulate the already

worrying shift of industrial production out of Japan to cheaper foreign locations. A Miti advisory panel warned that a carbon tax would provoke an "international migration of industry".

Instead, the new law calls on "business to assess the environmental impact of a project and take proper consideration to conserve the environment". It also says that the government should "make efforts to obtain the understanding and co-operation of the people" when it sees the need to introduce a carbon tax.

Such a tax is certainly not on the agenda of the present government. This is not surprising, since Japan has yet to recover from the most severe recession in the period since the Minamata disaster produced its salutary awakening of environmental policy. It could be a sign of how environmental policies take second place to economic survival during tough times.

The outstanding example is

mercury disaster, if it had spent ¥100m annually on pollution control, estimates the government's environmental protection agency. Instead, it is still faced with an annual compensation bill of ¥11.9bn, 100 times the cost of prevention, it says.

As a result of the post-Minamata lesson, chemical accidents or labour injuries in the Japanese chemicals companies are today low by international standards. The average number of lay-offs lasting more than a year, caused by injury, was 0.5 per 1m working hours in 1992, according to the Japan Chemical Industry Association.

While the record has been good over the past 20 years, Japanese environmental policy has barely evolved since the post-Minamata period, argue critics such as Mr Ian Austin, the Tokyo-based director of Japan business development at Davies & Moore, the US environmental consultancy.

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■ Case study: RHONE-POULENC OF FRANCE

Staying ahead of the law

Rhône-Poulenc, one of France's largest chemicals groups, has also been one of the most ambitious with respect to environmental policy. In 1992, it set itself a target of reducing emissions in water, air and solid waste by 50 per cent by 1995, taking 1990 as a base year, and by 65 per cent by the year 2000.

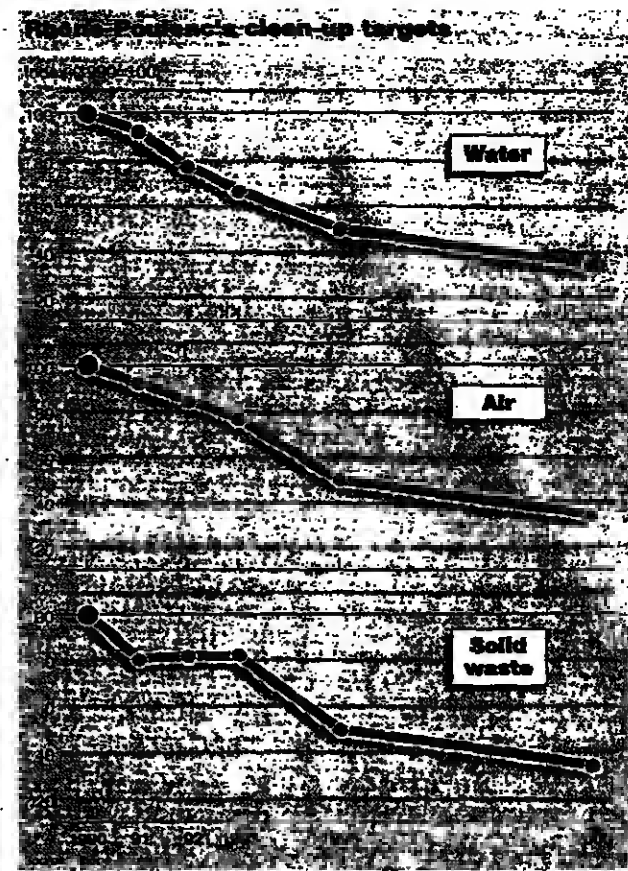
According to Mr Jean-Marc Bruel, vice chairman and head of the group's environmental policies since the early 1980s, the setting of fixed targets and the publication of the data represent the second major step in the field of environmental protection. The first step dates back to 1981 when Mr Jean Gandois, then chairman, appointed a manager to deal exclusively with environmental issues.

Since then, Mr Bruel claims that Rhône-Poulenc, along with other French and European chemicals companies, has made significant progress in reducing pollution and protecting the environment. "We have always been ahead of legislation," he says, citing the company's adoption of the responsible care programme, a charter for environmental protection in the industry which was first introduced in Canada. "No other industry has made the kind of progress that has been seen in chemicals."

He says that efforts in France to respond to the problems of environmental pollution from the chemicals industry have been assisted by an administrative system whereby regional government has the ability to fine and to subsidise polluting industries.

Rhône-Poulenc is itself spending a substantial amount on reducing pollution and increasing safety, despite the constraints of recession and the group's debt burden. Over the past two years, the company has committed FF3.8bn on environmental and safety projects, the lion's share in France and the US.

But how effective has this expenditure been? The publication last month of its annual environmental report shows a mixed result. "We are on target with respect to water pollution, for air emissions we are a little behind our target,



but we can make this up. It is solid waste that has proved the problem," says Mr Bruel.

Mr Bruel's conclusions are drawn from a detailed series of pollution and safety indices, audited by the accountants, Coopers & Lybrand, and in line with the format adopted by Cefic, the European chemicals industry federation.

At the end of last year, according to these statistics, the index of water pollution showed a 33 per cent decline from the base year of 1990. "This should enable the goal of a 50 per cent reduction by 1995 to be achieved," he says.

The air index improved last year year by 9.5 per cent, bringing the total reduction since 1990 to 23 per cent. "We are a little behind schedule, but I think we can maintain the target because we will make a big push over the next two years," says Mr Bruel.

In the area of waste, however, hitting the target will be a harder proposition. In 1993, the index remained static, showing just an 18 per cent decline from 1990.

Part of the explanation, according to Mr Bruel, lies in a shift in emphasis, since 1990, towards increased prevention and safety, rather than remediation. "We have put more money into the prevention of accidents," he says. "Why? Because when you have an accident you have a pollution that is short in timescale but very significant in its immediate effects."

The stability of the waste index, however, also reflects the conflicts between some of the group's environmental objectives and the priorities attached to the various targets. "We attach the greatest importance to reducing emissions in water," says Mr Bruel. "But when you solve the problem with water, generally you

generate some waste."

The stubbornness of solid waste pollution was magnified by the system used by Rhône-Poulenc to calculate the various pollution indices. According to this system, the various pollutants are assigned a coefficient which is determined by their unavailability.

In air emissions, for example, nitrogen oxide is given a relatively high coefficient of 5. In water, salt has a coefficient of a mere 0.001. In 1993, the neutralisation of toxic waste at the company's Le Havre plant led to landfill storage of inert residues from calcium sulfate. Because this has a high coefficient of 10, the impact on the solid waste index was correspondingly increased.

Despite the hiccup in the solid waste department, however, Mr Bruel is confident that the objective of a 65 per cent improvement by 2000 is attainable. "The target of a 50 per cent reduction by 1995 will be delayed, but a research programme for clean technologies is underway to correct this trend," the company says.

Clean technologies for the group's final products are also of growing importance in the battle against pollution. According to Mr Bruel, the group is developing an expanding number of products which reduce harmful waste and emissions at every stage of their lifecycle. The Regent insecticide, for example, which has been launched by the company, degrades without creating toxins. The Nalio detergent, produced with sodium carbonate and sodium silicate, is completely soluble in water and requires no treatment.

Internal efforts are, however, not the only considerations. The wider economic situation also has a bearing on the levels of pollution produced by Rhône-Poulenc's plants. According to the company's environmental report for last year, the largest single factor behind the improvement in the water index resulted from reduced business activity. The next most important factor was technical progress, which accounted for 4.5 per cent of the improvement.

John Ridding



Mariam Tehrani, Manager of Environmental Affairs, Chemicals North America

I take it personally

"Environmental issues are often controversial. I try to take the politics out of it. I'm an engineer. The solutions I propose are based purely on facts. Technical and scientific facts. To me, governmental

agencies or action groups are not the enemy. They are our partners in managing the environment. We may not always agree, but we all have the same goal. They know I care about the environment.

professionally and personally. I'm not afraid to speak up. When I do, the company listens because good environmental policy is good business. And the best way to create the right chemistry."

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CREATING THE RIGHT CHEMISTRY

AKZO NOBEL

Germany, with the world's toughest controls, may be having second thoughts, writes Christopher Parkes

Green tide reaches high water mark



Environment minister Töpel setting an international example

Last December, when the German chemicals industry was still wallowing close to the bottom of the worst profits trough since the war, and still winning from a media onslaught which followed a rapid-fire series of accidents at Hoechst, it was offered a few crumbs of comfort from an unlikely source.

The opposition Social Democrat Party (SPD), in concert with the IG Chemie union, published a position paper on the industry's future. The main recommendations seemed unremarkable: the simplification of environmental legislation and acceleration of planning procedures to facilitate the introduction of "environmentally acceptable products".

But the paper, personally endorsed by Mr Rudolf Scharping, SPD leader, marked an important development. The senior opposition party, whose attitude towards the chemicals industry had long been judged by a lingering attachment to the more rigorous environmental policies of the Greens, had shown that it had heard and deemed justified the industry's most serious complaints about the direction of German environmental policy.

The costs of environmental protection are a sore point among chemicals producers in most industrialised countries. But it is the range and complexity of legislation which give the greatest cause for grief within the German industry. Federal laws, arguably the strictest in the world, are overlaid by separate legislation enacted in each of the country's 16 Länder.

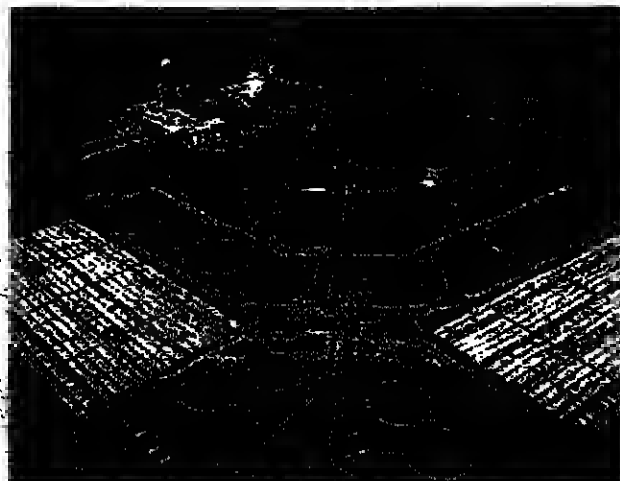
The result is a scarcely-penetrable entanglement which generates work for enthusiastic and meticulous bureaucrats and frustration for companies which see their attempts to innovate and regain competitiveness repeatedly bogged down.

A company seeking to build a new chemicals production plant in the federal republic must observe more than 2,000 laws and regulations. According to industry calculations, the average time taken in Germany to win official approval - be it for planning permission, a new product, change-of-use in an existing plant - is 13 months compared with six months elsewhere in Europe.

Mr Horst König, head of research planning at BASF, says the time and costs involved are becoming increasingly critical as competitors

consciousness is especially keen. The dye was especially promising because it was almost entirely absorbed by cotton fibres and left barely any traces in the waste water. However, the manufacturing process generated three by-products. Even though they were used in other processes and never left the plant in their original form, each had to be checked and approved at a total cost of DM200,000, Dr König wrote.

Meanwhile, the net of environmental legislation continues to expand and tighten on Germany's fourth-largest exporting sector. The planned Kreislaufwirtschaftsgesetz - a catchall law designed to complete the circle of development, production, use and re-use or recycling for new products - allows for no exceptions. The aim of the legislation is to oblige industry to develop new products and the techniques for recycling them in parallel. According to Mr König, this will apply even to one-off, low-volume manufacture of experimental materials or products even before a market has been



BASF's Ludwigshafen sewage works also serves local domestic needs

found for them.

If research and development in Germany continued to be obstructed by indiscriminate restrictions, valuable jobs in research and application technology would be lost, he wrote. Production would inevitably follow and, in the end, so would scientific knowledge. "The widespread exodus of

the ground for change. The SPD's position paper - part response to the now-fading cynical crisis in the chemicals industry, and part campaign document - showed a similar intent. Whoever wins the forthcoming federal election, there are promising signs of a consensus that more flexibility and less red tape are in order.

On the other hand, there are no indications from any side that German environmental legislation will be made less rigorous. The aim is more to reconcile the demands of the law with the desire to preserve jobs and encourage the evolution of a more specialised chemicals sector as the old, low added-value production drifts increasingly and inevitably abroad.

Mr Klaus Töpel, the Bonn environment minister, recently proclaimed that one of his aims during Germany's impending European Union presidency was to establish the EU's "continuously developing" environmental policy as an example to the rest of the world. In consort with his French counterpart, Mr Michel

Barrier, he said he would press for higher security and protection standards all round, and more stringent application of existing regulations.

In the future, he said, he expected the four EU membership candidates, Sweden, Norway, Finland and Austria, to strengthen the ranks of the advocates of environmental protection. Europe must come to appreciate that a vigorous environmental policy offered economic opportunities.

It was doubly coincidental, but on the same day Mr Heinrich von Larnier, president of the federal environmental agency, chose to highlight some of the economic advantages. He argued strongly against the advocates of a "pause" in environmental legislation. His 20 years' experience had taught him that neglect of the environment damaged the economy while investment in its protection almost always paid dividends.

The world market for protection technology was now worth \$282m a year. The US had 16 per cent, Japan 18 per cent, but Germany was still market leader with a 21 per cent share. There was a danger, Mr Larnier noted, that Germany would lose its lead if potential purchasers were put off by warnings that environmental protection was bad for an economy's health.

Communism has left a costly legacy, writes Anthony Robinson

Outdated and inefficient

It's an ill wind which blows nobody any good, and nowhere is the old trum more apparent than in the former communist states of eastern Europe and beyond.

In the four years since the collapse of communism, precipitous declines in output from the old state-controlled heavy industrial and chemical plants have been accompanied by a substantial decline in the level of both air and water pollution. Unfortunately, however, the volume of accumulated chemical, nuclear, metallic and other wastes in the ground, in often poorly constructed and maintained dumps and storage dams and in the seas fed by polluted rivers, remains horrific and lethal, particularly in the former Soviet Union.

In volume terms by far the biggest sources of pollution remain the region's coal-fired power stations, steel mills and refineries of all types.

Over a third of Europe's entire emissions of sulphur

dioxide are pour out of a complex of lignite or poor quality coal-burning power stations and chemical plants in the so-called "black triangle" where Poland, the Czech republic and former east Germany meet.

Poland alone expects to spend \$1bn reducing emissions at one of the biggest polluters.

Many eastern plants were built by the west, but are now very outdated.

The 2,000MW Turów power station complex, while the German environment minister has promised that the former east German plants will be brought up to EU emission standards by 1996. The German government has also agreed to finance similar environmental improvements at the Prunero power station just across the border in the Czech republic.

The coal mines are also a

point source of water pollution, especially in Poland where saline water pumped out of the deep mines of Silesia flows down the Vistula and into the Baltic, one of the most polluted seas in the world. The Baltic is closely followed by the Black Sea which is also virtually landlocked and receives the effluent from the Danube and the big rivers flowing through southern Russia and Ukraine.

The chemical industry by comparison is a limited polluter, but this mainly reflects the low level of its development in the former communist bloc and the fact that many chemical, synthetic fertiliser, petrochemical and related plants were put there on a turnkey basis by western contractors.

Even so many were built before the awakening of environmental consciousness in the West, and even plants built in the 1970s frequently deliberately skimped on smoke



Trying to catch up: materials research at a Minak electronics plant

abatement, water filtration and other environmental protection equipment. Even when environmental protection equipment was installed, it was rarely switched on or it became inoperative because of breakdowns and shortages of spare parts.

But environmental protection became a powerful stick with which to beat communist governments in the 1980s and many of the most polluting plants were closed in the first flush of enthusiasm after the collapse of the Berlin Wall and installation of the first post-communist regimes. Given the monopoly nature of the communist production system, however, several of these plants had to be re-opened to ensure minimal supplies of drugs and essential chemicals for other industries.

Lack of investment and poor maintenance left the former East German chemical industry, much of it coal-based, especially vulnerable once German reunification revealed the combination of

low productivity and environmental nastiness. The introduction of D-Mark pricing was the last straw and whole swathes of the industry have simply been wiped out leaving a huge bill for rehabilitating the polluted land on and around the sprawling acres where the plants once stood.

Poland and the Czech Republic also have substantial chemical industries facing similar problems but are spared the additional burden of overvalued currencies. In Romania, where the worst polluters (such as the unspeakable carbon black plant at Copca Mica in Transylvania) have been simply closed down, the overblown petrochemical and refining industry is working at a fraction of its capacity.

Throughout the region, fertiliser plants, refineries, petrochemical complexes and pharmaceutical plants have either been closed or are working far below capacity. With overcapacity in the west, little money is going into modernisation or on new greenfield sites, although the latter are generally regarded as a much better investment.

The decline in Russian oil production and, above all, the end of the era of cheap Soviet energy and input-prices is the main factor which has exposed the uncompetitive nature of most chemical production in the region and led to the lower output and the consequent fall in pollution. Russian statistics show an average 20 per cent decline across a broad swathe of chemical output in 1993 with no sign of recovery to date.

Reliable figures are hard to come by in this area but official Polish statistics show the output of the Polish chemical industry fell 25 per cent in 1990 and a further 13 per cent in 1991 before rising by 7 and 8 per cent in the following two years. But the emission of gases, which fell from 5.1m tonnes in 1989 to 4.1m in 1990 continued to fall even when production started to rise. The statistics show a similar trend

in the emission of poisonous dust emissions.

This is only partly due to investment in anti-pollution devices which has remained minimal given the poor economic state of most chemical enterprises. The fall in emissions mainly reflects greater awareness of ecological issues and greater efficiency in the use of fuel and inputs prompted by more rational pricing. Gone are the days of big investment in huge, inefficient and polluting plants to produce basic chemicals from cheap Soviet oil. In future, the emphasis will be on much smaller plants, many of them foreign-owned or using the latest western technology to produce world-quality drugs, detergents, paints and downstream consumer products at greenfield sites governed by EU pollution standards. The forerunners of this new phase are the detergent plants set up in Poland, Hungary, the Czech Republic and elsewhere by Henkel, Unilever, Benckiser and Procter and Gamble.

The risk of court action is increasing, writes Ian Hamilton Fazey

When directors are liable

Alan Bottomley says most directors and senior managers of UK companies are just not frightened enough.

The legal aspects of caring for the environment need to be taken much more seriously, he warns. "The personal responsibility of directors is going to become an increasingly important area and people running companies need to become much more aware of what they may be up against."

Mr Bottomley is senior partner of Hammond Suddards, one of the "big five" firms of corporate lawyers in Leeds. Many large law firms have set up units of specialists in environmental law during the last few years but what makes Hammond Suddards especially qualified to comment is that ICI outsourced its environmental litigation work to the firm in 1992.

Lawyers hoping for more clients are no different from any other salespeople, so their claims should always be treated with caution, if not scepticism, but there appears to be evidence to support Mr Bottomley's case.

The case is this: fines on companies for pollution offences are having a slow impact, but directors and senior managers carry personal legal responsibility for the actions of a company, its employees and its agents.

Therefore, enforcement bodies are increasingly likely to "go for individuals and try to obtain large fines against them - or even prison sentences. Mr Michael Shepherd, one of Hammond Suddards' litigation team and a specialist on legal and court procedure, says that in some fields such as waste disposal, civil sentences have already been handed down.

Many companies have written environmental policies which are meant to show that directors and senior managers take their responsibilities seriously and expect the company's employees and agents to do the same.

Based on precedent in other fields of law, many believe this will protect directors and senior managers if something goes wrong and a pollution offence is committed "down

the line" without their knowledge.

Whether a criminal act by an employee or agent is the action of a company depends on his or her state of mind, intention, knowledge or belief, as well as the facts and circumstances.

If the law requires a guilty mind as a condition of an offence, the company will be guilty if the directors and senior managers intended to commit the offence, but not if they had no such intent and the offence was committed by a junior employee who is not an officer of the company.

Tesco v. Nattras in 1972 is the latest precedent of three relied upon in support of this. Here, a supermarket ran out of cut-price chickens being advertised nationally on special offer.

The supermarket manager substituted chickens from stock labelled at a higher price and Tesco was prosecuted by a local trading standards officer.

The case went through the appeal system, where the final decision was that Tesco was not guilty because the senior manager had no intent to commit an offence and the local supermarket manager was too lowly in the organisation to make the company liable.

Mr Stuart Bell, a Hammond Suddards lawyer specialising in environmental policy, says this gives many directors and senior managers a false sense of security for two reasons.

The first is that many pollution offences are absolute, and therefore do not require a guilty mind for companies and individuals to be charged.

Mr Bell says most environmental law specialists believe the trend will be for increasingly more pollution offences to become absolute ones. There will be no defence against them, only a plea of mitigation. The company without a well-defined environmental policy will be in trouble.

The second reason he gives is of a discernible tendency for legislators - in effect, the government - to make per-

sonal responsibility much more important in corporate governance. The Food Safety Act of 1990 gives a clue as to developments.

It says if an offence is proved to have been committed with the consent, connivance or through neglect by a director, manager, secretary, or any other similar officer of a corporate body - or anyone purporting to act in such capacity - the person is guilty and liable to punishment.

Similarly worded sections are now included in the Acts of Parliament covering health and safety at work, consumer credit, company law, financial services, trade descriptions, water resources, planning, fire precautions, crowd safety, insolvency and environmental protection.

This means having a written environmental policy may not be enough. It has to be applied and supervised right up to boardroom level. Procedures also have to work at all times. For example, having an environmental officer acting as internal policeman may not be enough if there is no procedure to cover for his or her holidays.

It means a site foreman cannot turn a blind eye to where an outside contractor dumps a load of waste - nor the directors of the company involved claim that it was nothing to do with them because they did not know. All parties must have taken reasonable precautions to ensure safe disposal eventually took place.

Concerted attempts to stop illegal waste disposal - particularly dumping of toxic waste - are already under way.

"Cowboy" operators who have charged for long haulage to legal dumps, or for digging holes to bury waste, but have then dumped illegally and locally, or at surface level, have been successfully prosecuted recently and jailed.

Some environmental lawyers believe the directors of companies that hire such operators may be next, "to encourage the others".

An attempt is also being

made by the authorities to establish a precedent that will supersede Tesco v. Nattras as far as environmental law is concerned. The case involves pollution of a waterway via an underground culvert on a new housing estate, and whether the directors and senior managers of the company involved can be held responsible for it.

National Rivers Authority v. Alfred McAlpine Homes (Southern) is now in the appeal system. If the NRA wins, environmental law at least will greatly increase the onus on corporate officers for what happens "down the line" - however remote from head office.

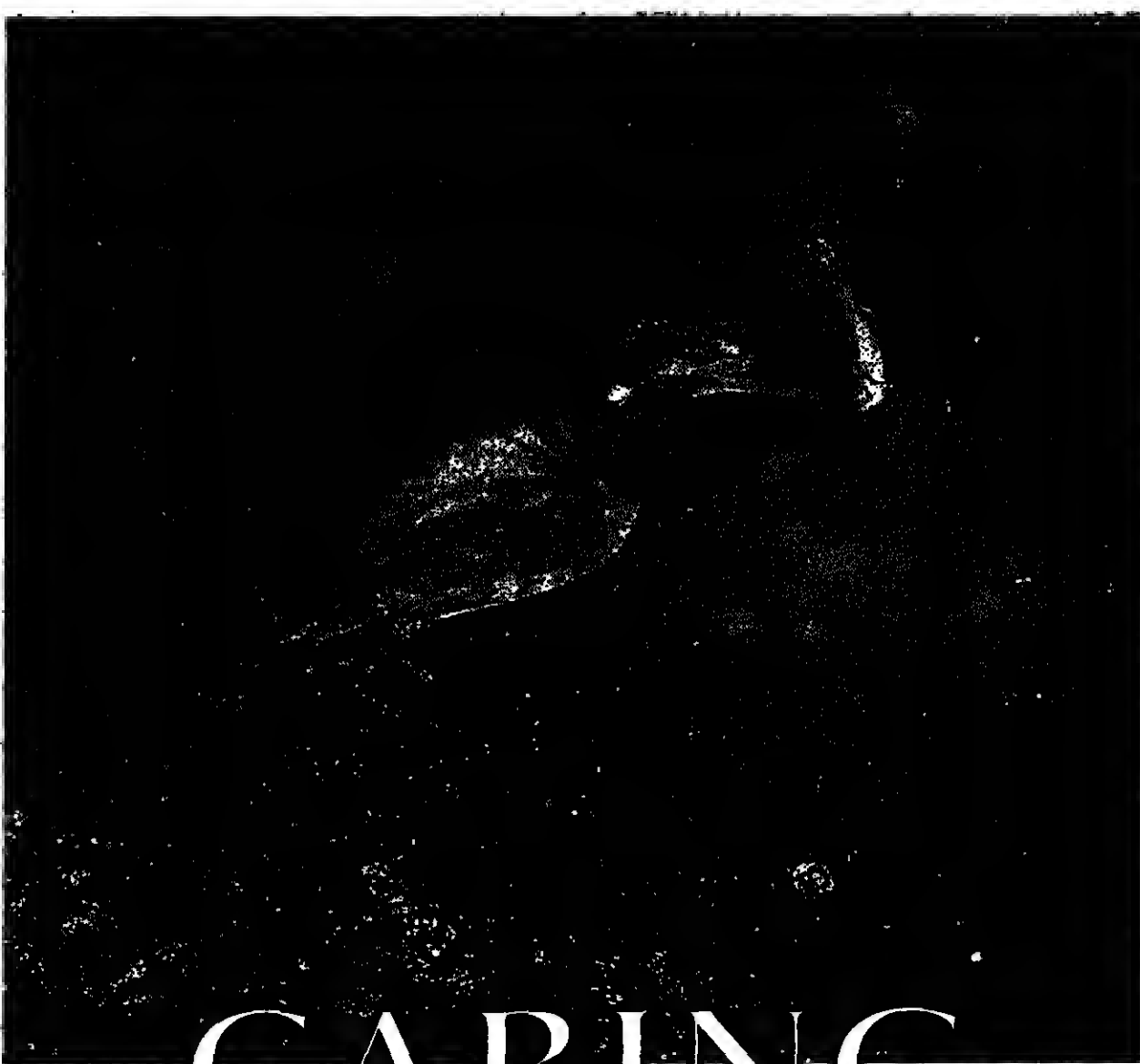
Is all this the scare tactics of lawyers trying to drum up more business? Mr Bell warns: "Large numbers of companies have no policy on waste minimisation, waste reduction and waste disposal. Big companies are OK but many medium-sized and smaller ones have no idea at all."

"When you look at the figures, the number of prosecutions is very small compared with the number of breaches. But the number of prosecutions has doubled year on year since the National Rivers Authority came into being in 1989."

Penalties are also likely to be stiffer. Although they are limited to 250,000 and six-month sentences in magistrates' courts, fines are unlimited in the crown court, where gaol terms of up to two years can be imposed. In addition, companies can be made to pay for putting the pollution right and this may cost much more than any fine. Incidentally, fines and remediation costs are not chargeable against revenue for tax purposes - they come straight out of profits.

Mr Shepherd also says environmental pressure groups are likely to bring their own prosecutions, as Greenpeace inflicted on ICI last year. Greenpeace did not win, but it demonstrated a new avenue for making companies more environmentally responsible.

The question for directors and senior managers is whether they can afford not to take the lawyers' warnings seriously.



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